DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 1987

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

NINETY-NINTH CONGRESS

SECOND SESSION

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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 1987

THURSDAY, MAY 1, 1986.

BUREAU OF LAND MANAGEMENT

WITNESSES

ROBERT F. BURFORD, DIRECTOR

DAVID C. O'NEAL, DEPUTY DIRECTOR

JAMES M. PARKER, ASSISTANT DIRECTOR FOR SUPPORT SERVICES

GUY E. BAIER, ACTING ASSISTANT DIRECTOR FOR LANDS AND RENEWABLE RESOURCES

ROBERT H. LAWTON, DEPUTY ASSISTANT DIRECTOR FOR ENERGY AND MINERAL RESOURCES

ANDREW J. ONDROF, ACTING ASSISTANT DIRECTOR FOR MANAGEMENT SERVICES

ROGER L. HILDEBEIDEL, CHIEF, DIVISION OF BUDGET

ANTHONY L. ITTEILAG, DIRECTOR OF BUDGET, DEPARTMENT OF THE INTERIOR

Mr. MURTHA. Good morning, Mr. Director. The chairman will be here shortly. He had several other duties to take care of this morning.

Your statement will appear in the record in its entirety. If you will keep your answers short, I will keep my questions short, although the chairman may have some more questions by the time he gets here. If you will introduce your colleagues for the record, we will proceed.

Mr. BURFORD. To my far left is Dave O'Neal, Deputy Director; James Parker, Assistant Director for Support Services; Guy Baier, sitting back here, and Bob Lawton, next to Mr. Baier; Andy Ondrof. Next to me is Roger Hildebeidel, my budget officer, and Tony Itteilag is over there.

Mr. MURTHA. You may proceed.

Mr. BURFORD. I have a summary of my statement here, but I think that in the interests of time, if you would like to go ahead with the questions.

[The statement of Robert F. Burford follows:]

STATEMENT OF ROBERT F. BURFORD, DIRECTOR BUREAU OF LAND MANAGEMENT, DEPARTMENT OF THE INTERIOR BEFORE THE HOUSE COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES ON THE FY 1987 PRESIDENT'S BUDGET REQUEST FOR THE BUREAU OF LAND MANAGEMENT

MAY 1, 1986

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to support the President's FY 1987 budget request for the Bureau of Land Management. The 1987 Budget reflects the continuation of this Administration's commitments to maintaining effective stewardship of the Nation's public lands, attaining a balanced use of those lands and resources, and improving the efficiency of management of these lands.

Of course, reducing the Federal deficit and controlling Federal spending are of critical national importance. The President's FY 1987 Budget meets the $144 billion deficit target called for by the Gramm-Rudman-Hollings Balanced Budget Act of 1985. As part of the President's Budget, the funding levels requested for BLM programs satisfy both goals of effective Federal stewardship for an important national resource and reducing the Federal deficit.

SUMMARY OF FY 1987 BUDGET REQUEST

The total 1987 budget request for BLM is $603.6 million, an increase of $11.9 million from the 1986 appropriations enacted in the Interior Appropriations Act. This increase is somewhat deceiving in that it is primarily the net result of proposed decreases in several of the Bureau's major operating appropriations offset by an increase of $36 million in the Miscellaneous Permanent Appropriations which cover payments to States and counties of shared revenue from BLM activities. This 1987 increase occurs strictly as a quirk in the timing of the 1986 payment of shared revenues to the Oregon and California Grant Land counties in western Oregon.

The 1987 Budget reflects our continuing commitment to effective stewardship of the public lands and their mineral, renewable, and other natural resources; including protecting these lands and resources, making them available for orderly development and use to provide economic benefits to the Nation, and ensuring their availability for the enjoyment and benefit of all Americans. The 1987 Budget proposes funding at levels appropriate to meet these management objectives and commitments for the public lands, yet is a level of funding consistent with the national mandate to reduce the Federal deficit and control Federal spending in 1987. The Secretary's initiative to "take pride in America" is an integral part of our management philosophy to encourage individual citizens, groups and private organizations to make a commitment to care about the public lands and resources. The budget includes a continuing emphasis on voluntarism and private investments on the public lands, as well as working with State and local governments and private users to share in funding and administration of many different activities where there is predominantly local interest.

The 1987 budget includes a request of $375.7 million for "Management of Lands and Resources" (MLR), the Bureau's principal operating appropriation, which provides funding of the majority of BLM's multiple-use management programs for the public lands and Federal mineral resources. The 1987 request is a decrease of $20.5 million from the 1986 appropriations level enacted in the Interior Appropriations Act, and about $3.5 million below the FY 1986 level available after the sequestration required by the Gramm-Rudman-Hollings Act. The 1987 request for the operating appropriation for management of the "Oregon and California Grant Lands," a separate account, is $51.2 million; a decrease of $4.6 million from 1986 appropriations level as enacted, and about $2.2 million below the 1986 level available after sequestration.

For 1987, $105 million is requested for Payments in Lieu of Taxes (PILT) to those local units of government containing Federal entitlement lands. This is an increase of $630,000 over the 1986 enacted level and should provide full funding under current law. The 1987 Budget also includes: $6.5 million for Range Improvements, a decrease of $1.5 million from the 1986 enacted; $5.2 million that is available from various cost recoverable actions by the Bureau such as from fees for rights-of-way application processing and the adoption of wild horses and burros (adopt-a-horse); and $1.2 million for acquisition of easements to provide access to public lands. No new funding is requested for either land acquisition or construction projects.

The costs of the Bureau's emergency activities, such as fire presuppression, rehabilitation work, and fire suppression for the 1986 fire season will be funded by Secretarial-approved transfers from other no-year appropriations as authorized by sections 101 and 102 of the Interior Appropriations Act. The usual practice is to request a supplemental appropriation in the following year to repay these transfers.

The Budget assumes that proposed legislation introduced in the Congress to authorize the interchange of land management responsibilities between the Forest Service and BLM will be enacted by FY 1987, with implementation to begin during that year. A separate request of $3.4 million for BLM implementation costs of the interchange is included in the 1987 budget.

In 1987, the BLM will collect an estimated $254,200,000 in receipts from sales of lands and vegetative products, grazing fees, timber sales and miscellaneous sources. This is an increase of $24,400,000 from these same sources in 1986. Most of this increase will result from increased timber harvest on O&C lands. In addition, BLM contributes directly to the generation of more than $1 billion in additional receipts (bonuses, rents, and royalties) connected with the leasing of onshore Federal minerals. These receipts are accounted for and disbursed by the Minerals Management Service.

A brief summary of the major 1987 Budget changes to the various programs of the Bureau is attached.

In closing, I would repeat that the 1987 budget request for the Bureau meets the twin objectives of responsible stewardship for the lands and resources under the Bureau's jurisdiction and that of reducing the Federal deficit by controlling Federal spending.

My associates and I are ready to answer your questions and provide whatever additional information is necessary to enable you to assess our budget request. Thank you.

MANAGEMENT OF LANDS AND RESOURCES (MLR)

The 1987 request for MLR, the bureau's major operating appropriation, is $375,685,000, a decrease of $20,490,000 from the 1986 appropriations enacted. A more meaningful comparison with the 1987 base level of $392,392,000, which includes adjustments for management initiatives and other largely non-discretionary changes, is a total decrease of $16,707,000.

Energy and Minerals Management

Within the MLR total, the energy and minerals management budget request is $77,572,000, a decrease of $6,016,000 from the 1987 base level comprised of changes in several programs of this activity.

For the fluid energy minerals, the request is $48,994,000, which includes an increase of $2,170,000 for the oil and gas program. This increase will be used to conduct additional diligent development reviews of Indian leases as required by law, to process additional lease adjustments, and to increase inspections of Federal leases both with in-house staff and through implementation of delegation agreements with States under the authority of section 205 of the Federal Oil and Gas Royalty Management Act (FOGRMA). Also within fluid energy minerals, a $280,000 decrease is proposed in the geothermal program to reflect the reduced level of industry demand for leasing and BLM's continued improved capability to supervise industry operations on all Federal leases.

The solid energy minerals request level of $13,695,000 reflects a decrease of $5,583,000 in the coal program due to decreased industry demand and reduced workload for regional coal leasing activities and supporting requirements. Also, no funding for the oil shale and tar sands program is requested for 1987 due to a sharp decline in private interest in oil shale and tar sands leasing and development.

The nonenergy minerals subactivity request of $14,883,000 includes a decrease of $225,000 due to decreased industry demand in the leasing programs for nonenergy minerals such as potash, phosphate and the like.

Lands and Realty Management

The requested funding level for lands and realty management is $38,954,000, which is a decrease of $2,600,000 from the base level.

The 1987 budget level provides funding for the non-recoverable portions of the costs of processing rights-of-way applications, for handling some 250 Recreation and Public Purposes Act cases and 450 desert land entry applications, the transfer of 10,000 acres for State indemnity selections, the exchange of 255,000 acres with State and private entities, and the offering of 10,000 acres for sale under the Federal Land Policy and Management Act. Funding is also provided to continue work under the Burton-Santini Act, on resolution of the New Mexico Rio Grande occupancy issue, and development of the Automated Land and Mineral Record System (ALMRS).

In Alaska, the proposed decrease will mean a slowing of the pace of interim conveyances and tentative approvals of land transfers for the State and Alaskan Natives. However, at the 1987 level, the program still provides for the issuance of interim conveyance or patent for 2 million acres to Native corporations, conveyance of 2.6 million acres to the State of Alaska, the processing of 800 Native allotments, and action on 100 other land use authorization cases.

Renewable Resources Management

In 1987 we are requesting $107,813,000 for renewable resources management. Continuing emphasis is placed on improving program efficiency, reducing marginally productive activities, and simplifying administrative processes, and on cost sharing by private individuals, groups and local governments in programs which are primarily of local interest.

The forest management program is decreased by $2,604,000 to a level of $5,106,000 as a result of reducing marginal timber sale offerings in public domain States and by eliminating the MLR funding support for the western Oregon forestry program. The 1987 program level will still provide for the offering of 60 million board feet of timber, exclusive of western Oregon, and continuing, undiminished, our efforts to reduce reforestation and forest development backlogs.

At the 1987 level of $15,200,000, the primary objective of the wild horse and burro program will be to decrease the number of horses held in long-term maintenance by increasing adoption efforts. An estimated 4,500 animals will be removed from the public lands at the 1987 level of funding.

The grazing management program is funded at $30,860,000 including a $345,000 increase for additional rangeland improvement planning. The program provides for managing Federal rangeland for grazing use by some 4.3 million head of livestock, conducted under 27,500 grazing permits, licenses and leases on over 170 million acres of land. Continuation of the final stages of the program of court-ordered grazing EIS's will be achieved by completing 4 EIS's in 1987.

The soil, water, and air management program, including hazardous materials management efforts, will be funded at $14,469,000 in 1987. A decrease of $1,830,000 is possible in part because of reduced soil and water inventory needs while still providing the level needed to meet the grazing EIS schedule and energy leasing goals. The 1987 program provides for continuing efforts in water management including providing for the legal availability of water for Bureau multiple-use programs, water monitoring, some watershed improvement projects, and participation in the National Acid Rain Monitoring Program. The hazardous materials program will be continued at the base level.

The Bureau's wildlife habitat management subactivity will be funded at $13,801,000; a decrease of $2,160,000 from the 1987 base. At the 1987 level, the Bureau will continue to provide inventory, implementation of habitat management plans and recovery plans, maintenance of habitat projects for threatened and endangered (T/E) and other species, and continued input of wildlife habitat data into the multiple-use planning process. Work on efforts directed to T/E species will continue to be emphasized for currently listed threatened and endangered species, and efforts on species not in danger of extinction or only proposed for listing will be reduced. Also, the Bureau will concentrate on implementing current habitat management plans rather than preparing new ones and proposes to eliminate the special funds for an experimental matching incentives program for desert bighorn sheep.

The Budget's proposed level for the recreation management subactivity is $19,530,000; a decrease of $1,784,000 from the 1987 Base. The program provides for inventory, planning, permit issuance and monitoring, site stabilization and protection work in the cultural resources program, continuing efforts in the wilderness management program at the 1986 level, and management of recreational use of the public lands, including visitor assistance, recreation permit issuance and management, and management of special recreation areas, off-road vehicle use, rivers, and trails on the public lands.

An increase of $599,000 in fire management is for operation and maintenance of the Bureau's Initial Attack Management System (IAMS) to improve fire suppression readiness and reduce fire suppression costs when fully implemented.

Planning and Data Management

A total of $9,525,000, an increase of $115,000, is requested for planning. In 1987, the Bureau will initiate preplanning in 14 areas, complete 20 resource management plans (RMP's), and monitor 103 RMP's. The increase will be used to support expanded needs for intergovernmental coordination and public participation related to RMP's.

Data management is budgeted at $14,888,000, an increase of $1,230,000 over the base level. The program will continue to provide data management services for many Bureau administrative and program management requirements, including the development of the Automated Land and Mineral Record System (ALMRS). The increase provides additional technical support to field users, purchase of new ADP equipment, and maintenance of existing equipment.

Cadastral Survey

The 1987 budget request for cadastral survey is $22,691,000. Of this amount, $11,069,000 is for Alaska surveys, a decrease of $3,990,000. At the budgeted level, BLM will complete surveys that will make 3.3 million acres available for patent to the State of Alaska and Native corporations. Additionally, completed special surveys will make 375 parcels available to private individuals. The Bureau of Indian Affairs (BIA) is also requesting about $3 million for support of specific cadastral survey work through the Bureau largely for needs of Native Alaskans.

The funding level for surveys in States other than Alaska is $11,622,000, the same as the 1987 base. In 1987, the program will emphasize surveys needed in support of energy and minerals development programs, particularly in the Powder River Basin of Wyoming, and various lands programs efforts.

Technical Services

A total of $15,065,000, a decrease of $400,000, is requested for the technical services activity. The activity provides resource protection, including law enforcement, and maintenance of Bureau-owned facilities such as buildings, roads, trails and recreation facilities. The proposal reflects a lower frequency of maintenance at several recreation, picnic and undeveloped sites and reduced frequency of cleanup at undeveloped sites.

General Administration

The 1987 Budget requests $85,101,000 for general administration, an increase of $4,158,000 over the base level. However, within this activity, a decrease of $1.3 million from the 1986 enacted reflects efforts to improve management efficiency and consolidate certain administrative support functions and reduce the size of headquarters and field administrative organizations. The increase over the base is to cover rising uncontrollable fixed costs, such as commercial telephone and telephone equipment charges, the additional costs associated with employee transfer of duty station allowances, and other new requirements.

CONSTRUCTION AND ACCESS, and LAND ACQUISITION

The 1987 request provides $1,200,000, a decrease of $195,000, for the access program. The funding for the access program is for the purchase of those easements which provide access necessary to get products to market and develop needed resources. No funding is proposed for new construction projects or new land acquisition projects in 1987.

OREGON AND CALIFORNIA GRANT LANDS

The 1987 request for the "Oregon and California Grant Lands" appropriation is $51,160,000, a decrease of $4,482,000 from the base level. Reduced program requirements in the timber management and timber development programs are the result of reoffering timber for sale from contracts which were returned to BLM under provisions of the Federal Timber Contract Payment Modification Act of 1984, and from streamlining some timber sale procedures.

PAYMENTS IN LIEU OF TAXES

The 1987 request for PILT of $105,000,000 is a $630,000 increase over the amount appropriated in 1986, which should fully fund these payments under current statutory formulas.

RANGE IMPROVEMENTS

The request for range improvement funds is $8,506,000, a decrease of $1.5 million from the 1986 appropriation. The grazing fee for the 1985 and 1986 grazing year is $1.35 per animal unit month (AUM). This fee level will generate an estimated $17,000,000 in collections, 50 percent of which ($8.5 million) will be dedicated to Range Improvements in 1987.

SERVICE CHARGES, DEPOSITS, AND FORFEITURES

Under the provisions of the Federal Land Policy and Management Act of 1976, costs related to processing applications for rights-of-way, other land use authorizations and conveyances, adoption of wild horses and burros, and repairs to damaged lands can be recovered through service charges, deposits of funds, and forfeitures of performance bonds. In 1987, collections associated with these actions which will become available for use by the Bureau are estimated at $5,195,000.

MISCELLANEOUS APPROPRIATIONS

A number of statutes provide that a specified percentage of the revenues generated from the sale of public lands and leasing of mineral resources and surface resource products is to be shared with the States or counties within which the revenue was generated. In 1987, it is estimated that $45,573,000 will be paid to States and counties under these permanent appropriations. This represents an increase of $36,019,000 from the estimated 1986 payments because an early payment to the Oregon and California (O&C) Grant Land counties from 1985 receipts caused 1986 budget authority to be reflected at an unusually low amount.

The estimated 1987 payment to O&C counties also reflects an Administration legislative initiative which will be submitted to Congress to share these revenues on a net receipt, rather than on a gross receipt, basis. The 1987 estimated payment to the O&C counties is $40.1 million on this basis.

The 1987 estimate for the BLM trust funds requiring current appropriation is $100,000. In addition, other funds are permanently appropriated for road maintenance and contributions to resource management projects and land survey work.

BLM-FOREST SERVICE INTERCHANGE

The 1987 budget includes $3,400,000 requested in conjunction with proposed legislation to implement the interchange of responsibilities for the management of Federal lands between the Bureau and the Forest Service. Interchange is designed to improve efficiency and economy of operations and to provide better service to the public.

DAVID CORTLAND O'NEAL

David Cortland O'Neal was appointed Deputy Director of the Bureau of Land Management on April 13, 1986. Born January 24, 1937, in Belleville, Illinois, O'Neal is well-versed in both the public and private sectors, having operated his own business firms and served as Lieutenant-Governor of Illinois. In 1980, he was a candidate for the U.S. Senate from Illinois.

Prior to his Federal appointment, O'Neal had been president and general manager of Augustine's Convention Center in Belleville, Illinois, since November 1984. From 1982 to 1984, he was president of O'Neal Printing Company in Chicago. Before that, he was executive vice-president of Aviation Systems International, a firm involved in worldwide sales and distribution of Boeing and McDonnell-Douglas commercial aviation parts.

O'Neal's term as Lieutenant-Governor of the State of Illinois ran from January 1976 through August 1981. As Lieutenant-Governor, O'Neal promoted passage of a State Mandated Programs Law, which would require state funding for any state mandate to local governments or school districts. Additionally, O'Neal chaired a special energy development task force reporting directly to the Governor, as well as the Abandoned Mine Land Reclamation Council, which administered Federal funding to return thousands of strip-mined acres in central and southern Illinois to row crop production and forests.

From 1970 to 1976, O'Neal was the Sheriff of St. Clair County, Illinois. As Sheriff, he established a merit system for the sheriff's office, wrote a model jail manual which was adopted by the Federal Bureau of Prisons, and streamlined administrative and personnel practices within the office. He also designed and implemented a plan to provide counseling, training and job placement for first offenders.

O'Neal is a graduate of the St. Louis College of Pharmacy, where he earned a B.S. degree in Pharmacy and did advance studies in industrial chemistry. From 1962 until December 1970, he owned and operated Westown Pharmacies, Inc.

He served in the United States Marine Corps from 1956 to 1959.

GUY E. BAIER

Guy Baier was appointed Acting Assistant Director for Lands and Renewable Resources on April 13, 1986. In this position, Baier is responsible for policy development and program direction for land-use planning; range; forestry; wildlife; wild horses and burros; soil, water, and air; Alaska programs; land resources; rights-of-way; and recreation, wilderness, and cultural programs. He served as the Acting Deputy Director for Lands and Renewable Resources from June 1985 until April 13, 1986. His official position since June 1984 has been Assistant Director for Renewable Resources.

After graduating from Colorado State University (Colorado A&M) with a B.S. in forest management, Baier started his career with the Bureau of Land Management (BLM) as a forester in Eugene, Oregon. After short tours at Eugene, Oregon and Missoula, Montana, he became a BLM Graduate Fellow of the University of Michigan, studying resource economics and public administration.

In 1967, he moved to Washington, D.C., as the BLM's Training Officer, where he was one of the team members instrumental in establishing what is now the BLM Phoenix Training Center. When the Alaska Pipeline proposal surfaced in 1970, he became the BLM Pipeline Coordinator in Washington, highlighted by a commendation from then Secretary of the Interior Rogers C. B. Morton. He moved to Idaho after 8 years in Arizona as Assistant District Manager at Phoenix and District Manager at Safford.

As Deputy State Director for Renewable Resources in Idaho, Baier was responsible for guiding programs in range, wildlife, wild horses, forestry, watershed, recreation, cultural resources, and wilderness on public domain lands in Idaho from 1980-1984.

ANDREW J. ONDROF

Andrew J. Ondrof was appointed Acting Assistant Director for Management Services in the Bureau of Land Management on April 13, 1986. Ondrof was born on January 26, 1932, in Glen Cove, New York. He began his career with BLM in 1971 as Chief of the Division of Personnel and was appointed Assistant Director for Administration in 1980, a position which he held until receiving his present assignment. As Acting Assistant Director for Management Services, Mr. Ondrof directs Bureau functions related to personnel management, finance, budget, program evaluation, and management research.

Before coming to BLM, Ondrof served as Chief of the Department's Division of Employment and Training (1967-1971); Chief, Employee Development Branch, Personnel Division, Department of Commerce (1965-1967); Associate Director, Management Sciences Program, (1964-1965); Associate Coordinator, Interagency Training, U.S. Civil Service Commission (1962-1964); and in a variety of other personnel-related positions with other Federal agencies and private companies from 1950-1962.

Ondrof is a graduate of the Western Illinois University, where he received a B.S. degree in Business Administration. He has done graduate work in Adult Education at the University of Chicago and in Public Administration at George Washington University.

He served in the United States Air Force from 1951-1953. Mr. Ondrof is married and has 3 sons. He has been active in various youth sports organizations, civic associations and church activities.

Mr. **MURTHA**. That will be fine. We will just start with the questions, if that suits you.

Mr. **BURFORD**. It suits me.

VOLUNTEERS AND PRIVATE INVESTMENT

Mr. **MURTHA**. Volunteers and private investment. Your budget justification projects a "continuing emphasis on volunteerism and private investment on the public lands." How do you go about doing this?

Mr. **BURFORD**. We have a program set up requesting volunteers, some of whom are retired people who have worked for us before, some of whom are just people who are interested in the public lands. We try to emphasize this in our state and district area offices. We do not have much volunteer work in the Washington area per se, but we do have quite a bit when you get in places like the California Desert, where we have a large recreation program, and it has been successful in that it has increased since we started it in 1981, when there were about 981 volunteers.

Mr. **MURTHA**. In 1981, there were how many volunteers?

Mr. **BURFORD**. There were 981. In 1985, it had grown to 4,831. The hours of work in 1981 were 63,761; and in 1985, there were 371,051 hours. I think that is shown also in the value of the work. We calculated, in 1981, that it was $372,000, and in 1985, it was $3,202,173. It has been successful. We intend to continue an emphasis on volunteerism, people working on trails.

Mr. **MURTHA**. Trails and what other programs do they involve?

Mr. **BURFORD**. Trails, campgrounds, in some places building watering areas for wildlife, wildlife habitat improvement. We get a lot of people that are interested in things like that. A lot of people are also interested in protection of cultural resources, and they volunteer to inventory some of the resources on the public lands and make sure that they are taken care of and not disturbed. We have also had—unfortunately, there are some people who do not feel as strongly about similar cultural resources—and we have had instances of spray-painting Indian petroglyphs in some canyons, specifically along the Colorado River. We have had volunteers that have gone down and cleaned that paint off the rock.

Mr. **MURTHA**. It is pretty tedious work, too.

Mr. **BURFORD**. It is very tedious.

Mr. **MURTHA**. They have to scrape it off, is what it amounts to?

Mr. **BURFORD**. They cannot scrape it off because if they scrape it off, they will take the petroglyph with it. What they have to do is use some kind of a paint remover and blot it off. It is tedious work.

The Secretary has recently announced the Take Pride in America Program, which will tie in with our volunteerism. If you look at the number of acres that the Department of the Interior has the authority over, it is so vast that if we had the entire U.S. Marine Corps out there, we could not patrol all those acres at any one time. So his idea is to educate the public, to make them recognize that those lands are their lands, and that they should be actively involved in protecting, utilizing, keeping them clean, and recognizing that that system of lands out there needs to be kept in perpetuity for whatever multiple use it is good for, and the people need to report vandalism, and just in general take care of things.

Mr. **Murtha**. What kind of private investments are made on the public lands?

Mr. **Burford**. Well, in some areas, some of the concessionaires make investments on the public lands, like boat ramps and things like that, where they have a permit to make commercial use. I think that probably—I do not have the figures on it right now, but the greatest investment on the public lands has probably been made by livestock operators under cooperative agreements with the Bureau of Land Management. They build reservoirs, pipe water to various parts of the range. As a part of that, it benefits not only the range itself, because of the distribution of use, but the permit, what is commonly termed section 4 permit that the bureau issues to somebody who wants to make an improvement like that on a specific area, states that if it is a water development, or a fence or anything like that, it has to conform to wildlife uses also. The water has to be made available for wildlife.

STATE AND LOCAL GOVERNMENT CONTRIBUTIONS

Mr. **Murtha**. What resources are provided by the state and local governments?

Mr. **Burford**. State and local governments generally do not provide too much in the way of resources. They do use the public lands. We enter into cooperative agreements with states and counties for law enforcement on the public lands because we have a very limited capability as far as law enforcement is concerned. We have some desert rangers.

Mr. **Murtha**. You have desert rangers?

Mr. **Burford**. Yes, in the California Desert.

Mr. **Murtha**. Are they paid?

Mr. **Burford**. Yes. They are employees.

Mr. **Murtha**. A trained police force?

Mr. **Burford**. Yes. They go through the FBI school back here on the East coast.

Mr. **Murtha**. How large a force is that?

Mr. **Burford**. There are 18, I think, on the desert, and we are expanding that a little bit into our high recreation uses, such as Grand Wash in Utah. I think we have a couple of people up on the Rogue River in Oregon. We have just recently received authority, about a year ago, from the Secretary to expand that force. They are uniformed and carry a sidearm, and are specifically in there to help take care of high-pressure areas, where there is a lot of public land in the area.

Mr. **Murtha**. Do we have any at the King Range?

Mr. **Burford**. I do not think we have a permanent one there, but we may have some details. I can check that out.

Mr. **Murtha**. Answer that for the record.

Mr. **Burford**. All right.

[The information follows:]

Rangers on the King Range

We currently have one ranger on the King Range.

Mr. **Burford**. In California they have what they call a green-sticker program which requires off-road vehicles to buy a little stamp to put on a motorcycle or a dune buggy or a recreation vehicle such as that, and we cooperate with the state. The state gives us some money, and we use that money in California to improve recreation areas in the King Range or California Desert Conservation Area.

RECREATION RECEIPTS

Mr. **Murtha**. Let me ask you about receipts, Mr. Director. Your receipt estimates include an increase in recreation fees beginning in fiscal year 1986.

Have you already implemented such increased fees?

Mr. **Burford**. Yes. Those fees are not charged to the general public. They are charged to guides and outfitters and concessionaires. We started a program in conjunction with the Forest Service. I think this is the third year of increase.

Mr. **Murtha**. How does this compare with the National Park Service?

Mr. **Burford**. I do not have an exact comparison with the National Park Service. The Forest Service and myself, Max Peterson and I coordinated this effort, and raised those fees.

Mr. **Murtha**. So you consulted with the Forest Service, but you did not talk with the Park Service?

Mr. **Burford**. No, because the Forest Service and the Bureau of Land Management are more akin to each other in that we are both multiple-use agencies.

Mr. **Murtha**. Are you getting any complaints about the fee increases?

Mr. **Burford**. We had a few complaints at the beginning, but I think we did enough of an outreach program between the two agencies that, in general, the concessionaires accepted them fairly well.

NET O&C RECEIPTS

Mr. **Murtha**. Receipts paid to the O&C counties in fiscal year 1987 are to be net of Federal costs. Do you intend to submit legislation to provide for this new formula?

Mr. **Burford**. I think that the latest indications from the Secretary are that he is probably not going to submit that legislation. I think Senator McClure probably characterized net receipt sharing when he said—he introduced a bill for the administration about 2 or 3 months ago on net receipt sharing, and he said the administration has "sent this bill up repeatedly for 3 years, and Congress, in its wisdom, has refused to act for 3 years."

Mr. **Murtha**. Then have you sent up a budget-change proposal?

Mr. **Burford**. No, we have not. It was not sent up this year. The legislation was not sent up.

Mr. **Murtha**. The legislation was not sent up.

Mr. **Burford**. No.

OIL AND GAS LEASING

Mr. MURTHA. Oil and gas leasing systems. Does the Department of the Interior have an official position on changing the current system of leasing for oil and gas development?

Mr. BURFORD. There are two or three bills in front of Congress, or bills that are indicated will be introduced. We have been working on our own bill, and have tried out various ideas. We have not submitted a bill from the department, and we have not taken an official position on the Bumpers-Miller bill, or on a bill proposed by Representative Seiberling. There is also another bill which Representative Udall has been working on. I have looked at the last draft of it. It is fairly close to what my thoughts are along that line. If it is introduced, if the Seiberling bill is introduced, we will probably take a position on either of those bills, or suggest a substitute.

ALL-COMPETITIVE SYSTEM

Mr. MURTHA. What kind of a system, which begins with all competitive leasing, would be best?

Mr. BURFORD. Our analysis shows that if you go through a screen of all-competitive leasing, with all tracts offered initially, and if they do not receive competitive bids, if you do not put them onto sort of a limited simultaneous drawing system, we think that that is probably the best way to go as far as making lands available, getting those leases into the hands of the industry, and having them available for development.

Mr. MURTHA. What are the difficulties with an all-competitive system?

Mr. BURFORD. There are many difficulties. I think there have been suggestions that we go to a system such as that employed on the Outer Continental Shelf, but there are great differences between the ability to lease on the Outer Continental Shelf, where the Government controls all of the the subsurface and all the surface and the water above it, except for where it borders the states. I think you are probably familiar with the continuing controversy which has been going on for several years, and was recently settled on the 8(g) question with the coastal states. The Outer Continental Shelf leasing program has the ability to put those lands up without having to have any consideration of any other observers.

Our lands in general in the West, both the Forest Service lands and those of the Bureau of Land Management, are scattered and interspersed with private owners and other things. That means it is very, very difficult for an operator to put together a plan where he has reasonable expectation, when he drills an exploratory well, that he will have control of the field. That is one of the reasons that we cannot use a system such as the Outer Continental Shelf envisions.

Another one of the reasons that holds us back there is, in general, fields onshore are smaller than those envisioned off the Outer Continental Shelf. I imagine only the Creator knows why that happens, but it is a truism that most onshore fields are small, the ownership fractionated.

Mr. **Murtha**. Even the offshore fields have not had a lot of success.

Mr. **Burford**. No, sir, regrettably.

Mr. **Murtha**. Will an all-competitive system eliminate the need for known geological structure determinations?

Mr. **Burford**. Yes. It has been my contention for some time that using an economic method of determination—where the oil people think oil exists—would lead to a much better system than trying to delineate KGS's. There is always room for argument. There are two reports out now, one that I commissioned, the Keplinger Report on KGS's, and then the National Academy of Sciences wrote another report. Both came to the same conclusion—that we can, with more money and more people, make better determinations of KGS's, but I think that in a time of declining budgets, it would be much better to allow the companies themselves to figure out if they think oil exists in various places.

Mr. **Murtha**. Will we have to make some kind of an economic evaluation?

Mr. **Burford**. I would envision no economic evaluation. If we put a floor of so many dollars per acre on a competitive sale, I think the companies will make their own evaluation. In true competition, they will bid it up to where it should be.

Mr. **Murtha**. Would any value to the Government be lost if this determination were not done?

Mr. **Burford**. I really do not think it would, because there is competition out there amongst the independents and the majors; and if one of them makes a determination that there is a probability of existence of oil there, they will bid.

Mr. **Murtha**. If you eliminated the KGS, would that eliminate any need for manpower or manpower requirements?

Mr. **Burford**. It would probably not eliminate a lot of positions, but it would allow the Bureau to spend more time in determining drainage problems and things like that. Sometimes our people have to spend time on KGS's when we could use them on drainage.

Mr. **Murtha**. Would an all-competitive system lead to more or less revenues?

Mr. **Burford**. It would probably lead to less revenues to the Federal Government. Our studies show that actually the SIMO system, the present SIMO system, brings in more revenues than the competitive system. If you look at the history of Wyoming in particular, which is one of the last states to go to an all-competitive system; their revenues—and you have to take into account the fact that just recently the oil market has dropped, so that has had an effect on it—but before the drop in the price of oil, Wyoming was receiving decidedly less income on its tracts when offered competitively than it had received in the past when it was offering them under a SIMO system. Our figures show that in Wyoming our tracts that we are offering under SIMO, are bringing more dollars of revenue to the Federal Government than Wyoming is getting for similar tracts in the same area, but you will get——

Mr. **Murtha**. If you do not have an economic evaluation and we are going to lose money, what happens afterward? What kind of a contract or lease do you write up with the people doing the work?

Mr. **Burford**. You mean the drilling?

Mr. **Murtha**. Yes.

Mr. **Burford**. Well, they go out there and do their exploratory work on the leases.

Mr. **Murtha**. With the all-competitive system, they take a chance and they might gain or lose, depending on the chance they take.

Mr. **Burford**. Under either system the companies will assemble an area that they consider promising, and then sell, probably sell enough shares in it, to investors and get it out.

Mr. **Murtha**. What if they are not leased, what do you do with it? Do you recommend a SIMO system if they are not leased?

Mr. **Burford**. If they do not receive a minimum bid when they are offered competitively, we put it through a SIMO system. Then if it did not go, nobody is interested in it, we let it drop back into a holding situation.

Mr. **Murtha**. You just talked about a couple of consultants who were studying drainage and KGS problems. Has that study been completed?

Mr. **Burford**. Yes. It is in final form, is it not?

Mr. **Lawton**. Yes, it was completed.

Mr. **Murtha**. Did the study address the adequacy of your procedures?

Mr. **Burford**. To a certain extent. Both it and the other study addressed the adequacy, and both recommended increasing personnel.

Mr. **Murtha**. Do you agree with that?

Mr. **Burford**. No. I think that we are probably doing a fairly capable job. I think if you hire———

KGS BACKLOG

Mr. **Murtha**. Does it address backlogs?

Mr. **Burford**. We have some backlogs; yes.

Mr. **Murtha**. And their recommendation was more people to take care of the backlog?

Mr. **Burford**. Yes; and I think if you hire any set of professionals to do a study on a Government agency that hires those same kinds of professionals, you will get a report that recommends hiring more of those same professionals.

Mr. **Murtha**. How big is your current backlog?

Mr. **Lawton**. We have the backlog on KGS down to less than 3,600 that have not been reviewed recently. We review them continuously. We have about 6,300.

Mr. **Murtha**. Is it better or worse than last year?

Mr. **Lawton**. We are in much better shape than last year.

Mr. **Burford**. It is better. We have put some emphasis on that in the last 2 years.

Mr. **Murtha**. If you hire a consulting firm that has people like this working for them, they are going to recommend more people. Who hired the consulting firm?

Mr. **Burford**. I did, but with the idea that we needed to find out whether we were addressing KGS's correctly, and doing reasonably well, not quality-wise, but in using acceptable industry practices. I think that is correct, and I think they were correct when they said that we could address the backlog if we hired more people. I do not think that there is much chance of Congress and the President recommending a big increase in my budget over the next few years, given the mood of the country; and I think that if we continue to address the backlog, we will eventually get it under control. We have requested an increase this year.

Mr. **Lawton**. Not for that part of it.

RESULTS OF NATIONAL ACADEMY OF SCIENCES STUDY

Mr. **Murtha**. The National Academy of Sciences was contracted to address the meaning of KGS. What were the results of this study?

Mr. **Burford**. I think I will let Mr. Lawton address those results. He is more conversant with it than I am.

Mr. **Murtha**. Mr. Lawton.

Mr. **Lawton**. What we had contracted with the National Academy to do was to review the history of the legislation to determine congressional intent regarding the KGS. They had found in their report that the opportunity for the Secretary is much greater than we had judged it to be, that we could expand KGS determination further than we are. What we have been doing recently is looking more at the trap, identifying the actual oil and gas trap as the field size. Their interpretation is that we can expand that to multiple traps to determine a field. In other words, the size of the area that would be determined to be a KGS would be far extended, because of what would been classified as multiple traps in the same area. Then we would look at the surface over that, and declare the entire area a KGS.

Mr. **Murtha**. Do you agree with their recommendation?

Mr. **Lawton**. We are reviewing that, and I think it has great potential for expanding KGS's and is probably a better utilization of the people that we have.

Mr. **Burford**. We have expanded considerably over the last 2 years.

Mr. **Lawton**. Since 1983, that is when we had the Amos Draw situation, we expanded from the mechanical stepout of one spacing unit to the use of an actual geological interpretation of information as the definition of the full limit of the known geological structure.

Mr. **Burford**. That was when then-Secretary Watt made the determination to merge the onshore division of the old Conservation Division of the USGS into the Bureau of Land Management. I found out that they were not doing geologic determinations of KGS's, but merely stepping out a unit size from a known producing well. They were stepping out 40 acres or whatever the spacing size was, instead of using the geology to attempt to determine the size of the KGS. We made sure that that was changed, and we have since expanded the areas of KGS's, I would guess almost twofold, have we not?

Mr. **Lawton**. It has been more than that.

Mr. **Burford**. More than twofold. We have been sued on it by some people who disagree with our geologic interpretations; but as far as I know, we have won most of the cases. Is that correct?

Mr. Lawton. We have two or three pending that are questionable. In most of them, our interpretation has been ruled as adequate.

DETERMINATION OF COMPETITIVE VS. SIMO

Mr. Murtha. Would you review for the committee the procedures you go through in order to assure that very valuable lands are included in the competitive lease sales rather than in the lottery?

Mr. Burford. That is the KGS determination system. If somebody drills a well and reports to us that that well is a producer, then our geologists take all the information they can get from the petroleum industry and from the state geologists, and from their own knowledge of the area, and outline where they think that known geological structure is. If an area falls within the outline of the KGS, that means that it will automatically go up for competitive bid instead of going SIMO. The SIMO system has only tracts that have been leased once and turned back in to the Government—leases which have expired. They explored and did not find anything on them, or else they did not get around to drilling them and they turned them back to the Government. That land then goes into the SIMO system, if it has not been determined that it is in a KGS. If it is in a KGS, it automatically goes into the competitive bidding system.

Mr. Murtha. What effect does this KGS backlog have?

Mr. Burford. Well, those are KGS's that have not been reviewed recently. We continually review KGS's, and it is kind of on a priority basis. If there is a hot area where people are really interested and there is a lot of drilling activity, we try to keep up. We try to put some emphasis on that and put some people in there defining the KGS in there and reviewing any information that we have.

The backlogs are mostly areas, as I understand it, that they just have not gotten around to reviewing recently. There may or may not be new information; but as we review, we take into account if there is new information on whether that can be expanded.

REFUNDS ON SUSPENDED LEASES

Mr. Murtha. You recently allowed lottery applicants to withdraw applications where you have suspended leasing actions. What kind of response have you had to this offer?

Mr. Burford. Bob, I will have to ask you to answer that.

Mr. Lawton. What we have done, because of some of the complex geology, and the determination by the Secretary to hold up leasing in the Overthrust Belt, the Fort Chaffee area and Eglin Air Force Base, that has caused a delay in issuing the leases. So we have put out guidance to the field that after 1 year of holdup, the drawee or the successful drawee can come in and request a refund of the money.

Mr. Murtha. How much money has been refunded?

Mr. Lawton. I do not have an exact number, but very little. Most people want to stay in and get the opportunity to get the lease.

Mr. Murtha. Supply the amount for the record.

Mr. Lawton. Yes, sir.

[The information follows:]

REFUNDS DUE TO DELAYED OIL AND GAS LEASE PROCESSING

As of May 1, 1986, we had received requests for refunds from only 1 applicant concerning two parcels. A total of $1,120 has been refunded.

Mr. Murtha. The gentleman from Ohio.

Mr. Regula. Thank you, Mr. Chairman.

MULITPLE USE IN RECREATION AREAS

Just a couple of questions, one on the multiple use in terms of recreation. Do you have a lot of this in your recreation areas in the BLM——

Mr. Burford. Yes.

Mr. Regula [continuing]. Operated lands?

Mr. Burford. I do not think we have that figure with us. Because our lands are so scattered, and because a lot of the recreation on the public domain is unstructured, there are supply points everywhere; and people go out there on motorcycles, dune buggies, and one thing or another. We have a very recent count in the California Desert, for instance, 27 million visits to Bureau-administered lands, which totals over 210 million visitor hours of public land and recreational use. That is probably an estimate, because a lot of people go out in the West on the public domain for a Sunday afternoon picnic or something, or go out there looking around rock hunting or something.

Mr. Regula. Do you operate any campsite facilities?

Mr. Burford. Yes, we do.

Mr. Regula. That are structured and supervised by BLM?

Mr. Burford. Yes, we do. We have more than 300 recreation sites.

Mr. Regula. What are they largely, just pads with water and shower and maybe sanitary facilities?

Mr. Burford. They generally contain sanitary facilities. There are some at bodies of water. Some of them include boat ramps so that people can get their boats into the water.

RECREATION FEES

Mr. Regula. Do you charge any fees?

Mr. Burford. On that? No. We have some that we charge fees on.

Mr. Regula. I mean, do you have some facilities that you do collect fees on?

Mr. Burford. Yes, we have some that we collect fees on.

Mr. Regula. Are you limited on this as to how much you can charge, and if so, is that something that you think ought to be changed?

Mr. Burford. We do not have very high charges, mainly because we do not have a lot of structured facilities. We do not try to compete with the Park Service.

Mr. Regula. Yes, I understand that.

Mr. Burford. I would have to look it up and see just exactly what those charges are.

Mr. **Regula**. For the record, indicate whether your fee structure is determined by statute.

Mr. **Burford**. All right.

[The information follows:]

Recreation Fee

Legislative guidance concerning BLM recreation fees is primarily contained in the Federal Land Policy and Management Act (FLPMA) of 1976, and the Land and Water Conservation Fund Act (LWCF) of 1965. FLPMA states that BLM should receive fair market value for the use of public lands, and the LCWF Act, in Section 4(b) and (c), sets forth criteria for establishing fees. Neither of these statutes sets specific maximum or minimum fee levels nor do they authorize BLM to charge entrance fees. BLM has only a very few recreation areas where an entrance fee could be effectively charged. Implementing those laws through regulations (43 CFR 8370) and policy, the BLM has established fee schedules which are intended to be adequate and fair. Fees for campgrounds are established to be comparable with fees charged by other Federal and non-Federal public agencies in the surrounding area who are offering similar services and facilities. Fees for commercial and competitive recreational uses are based on schedules adopted in cooperation with the Forest Service. These fees, based on a percentage of adjusted gross receipts, provide a fair return to the Federal Government for the use of the public resources. It should be noted that recreation fees collected cannot be used for operation and maintenance of recreation facilities or to provide special recreational services. The authority to utilize these revenues for the operation and management of recreation areas and facilities could be an incentive for users to pay fees.

Mr. **Regula**. And then if so, comment as to whether you think that the fees you are allowed to charge——

Mr. **Burford**. Are sufficient?

Mr. **Regula** [continuing]. Are sufficient, given the cost of operating those facilities.

Mr. **Burford**. Our inquiries to the public, Congressman, generally indicate that people are willing to pay more fees, especially if those fees are returned to the area where they are charged, and used for upkeep and maintenance of facilities.

Mr. **Regula**. That is why I am interested as to whether you have a limitation, because I do think that in the public areas—and that would be true of all the agencies—that there should be more fees collected, and they should be made available for reinvestment in improved facilities.

Mr. **Burford**. We had the ability to use those fees up until fiscal year 1981. There was a provision in the appropriations act that changed this, and permanently prevented the use of recreational user fees collected by any Federal agency for operation and maintenance of that agency's recreation facilities. Those receipts now go into the Land and Water Conservation Fund.

Mr. **Regula**. Do you know what the code section is? Do you have that citation?

Mr. **Burford**. No, but I will get that to you.

Mr. **Regula**. Was it a case, it must have been a case of legislating on an appropriation bill, because normally our language is only a 1-year period. You are telling me this is permanent law.

Mr. **Burford**. It has been repeated in every act since then, I think. I will check that out.

Mr. **Regula**. Are you saying it is done by repetition and not permanent law?

Mr. **Burford**. I think that is right.

Mr. **Hildebeidel.** If I may, Congressman Regula, the appropriations bill, in effect, had a rider that overrode the provision of the Land and Water Conservation Fund, that made the money available for use for operation and maintenance. In 1981, that rider was taken away, and we can no longer do that. The Land and Water Conservation Fund permanent legislation reverted to operation, which prevents us from using——

Mr. **Regula.** I see, so actually you only had a period of 1 year there.

Mr. **Hildebeidel.** It had been several years prior to that.

Mr. **Regula.** I think what you are saying to me now is that the Land and Water Conservation Fund, which is permanent law——

Mr. **Hildebeidel.** Yes.

Mr. **Regula** [continuing]. Is in force.

Mr. **Hildebeidel.** Right.

Mr. **Regula.** Because this overriding language has not been repeated.

Mr. **Hildebeidel.** Right.

Mr. **Regula.** In appropriation bills.

Mr. **Hildebeidel.** You are correct.

GRAZING FEES

Mr. **Regula.** My other question is on grazing fees, and I recognize the controversial nature of this, but——

Mr. **Murtha.** It is not controversial in Pennsylvania.

Mr. **Burford.** I beg your pardon, I think it is on Forest Service land in Pennsylvania, and New York, too.

Mr. **Murtha.** What part of Pennsylvania? I might get interested in this. What part of Pennsylvania?

Mr. **Burford.** I do not know, anywhere that there is a national forest. Allegheny National Forest. I am not sure about Pennsylvania, but at one time when we had a hearing on it, there was a Congressman from New York who was quite interested in it, because his district included a national forest in New York State.

Mr. **Murtha.** Allegheny is a national forest, but I do not know of any grazing there. It is a pretty permanent forest.

Mr. **Burford.** I do not know. I am not familiar with it. Maybe I should not have mentioned it.

Mr. **Regula.** Do you think the grazing fees reflect comparable values in terms of rental fees for private lands?

Mr. **Burford.** I think that, given the way they are set up, that the formula is a reasonable formula, and that it fairly collects probably about 60 percent of the costs of the grazing programs. Some of the costs of the grazing program are imposed by passage of NEPA, imposed by the courts requiring the Bureau of Land Management to make environmental impact statements on every grazing allotment in the United States.

I say this in the full knowledge that I believe that every operator in the West who relies on public lands for grazing is in dire financial straits, for one reason or another. A lot of it is strictly the market, but I think there would not be the resistance to increasing fees if that market would go up. I recognize that the dairy program has had an adverse effect on that same market, a very adverse effect, I might add, according to my communications with some of the ranchers I still know in the West. I think the President was correct when he made that decision.

Mr. **Regula**. Do I understand you correctly, that the grazing fees in total represent only 60 percent of the costs of providing that service to the lessees?

Mr. **Burford**. I think that that is what our last study showed, was it was around 60 or 70 percent.

Mr. **Baier**. About two-thirds.

Mr. **Burford**. About two-thirds of the cost of the grazing program, but the grazing program benefits not only the livestock, but it also benefits wildlife, and we do not take all of those things into consideration. It is very hard to separate out in a multiple-use agency where all those costs come in, because of other activities, such as planning, land-use planning, and environmental impact statements. A ranger may go out on the range, and some of his work may be connected with the grazing program. At the same time, he may stop by and notice that there is a well out there that maybe is not in compliance or something, and come back and report that, or he may see somebody that is illegally digging for artifacts. It is hard to separate all the costs. We made a best-guess estimate about a year ago that the grazing fee probably pays for about two-thirds of the cost of the program. Some people have said it only pays about 30 percent, but that is not correct according to our figures.

MINERAL DEVELOPMENT

Mr. **Regula**. Do you have much mineral development on the BLM lands?

Mr. **Burford**. Yes, we do, and we are also responsible for mineral leasing on Forest Service lands. So altogether, we have the responsibility of mineral activities on 700 million acres, I guess, somewhere in that vicinity.

Mr. **Regula**. Thank you, Mr. Chairman.

INSPECTION OF INDIAN OIL AND GAS LEASES

Mr. **Murtha**. Oil and gas Indian leases. Last year, you testified that your inspection program on Indian leases was not up to par. What progress have you made on inspecting Indian leases?

Mr. **Burford**. I want to refer that to Mr. Lawton.

Mr. **Lawton**. In the past year on Indian inspection, enforcement, diligence, drainage, we probably have increased our effectiveness by four or five times or will have by the end of this year. For instance, for all of last year on Indian leases, we evaluated 475 leases.

Mr. **Murtha**. That is 475 Indian leases?

Mr. **Lawton**. Indian leases; yes, sir. This year to date we have evaluated 436, and that is basically the first half of the year.

Mr. **Murtha**. And so you have inspected almost all of them annually?

Mr. **Lawton**. Well, it will not be quite that, because we have about 2,500. But another thing we have done, we have trained the Indian inspectors themselves. In our last training sessions the

Indian representatives were about 50 percent of the classes, so they are doing a lot of the inspections and investigations themselves. We support them. We have cooperative agreements right now with three Indian tribes. We have two more that are near completion.

Mr. MURTHA. How many people do you have involved in the Indian lease inspections?

Mr. LAWTON. We do not have an exact number for that, because our inspectors that do the regular work also do the Indian work.

Mr. BURFORD. We have worked out agreements with, what was it, the Navajos?

Mr. LAWTON. We are close to agreement on Southern Ute and the Wind River Indians and——

Mr. YATES. I have got a group of experts from the Chicago Latin School who are going to listen to the testimony, so I am going to bring them all in. Prepare yourself, Mr. Burford.

Mr. BURFORD. Mr. Congressman, if they are constituents of yours, you are going to have to behave. I hope this audience does not lead you to overexuberance, Mr. Chairman.

Mr. YATES. You know it will.

These gentlemen are all from the Bureau of Land Management.

Mr. BURFORD. A lady or two, also.

Mr. YATES. That is good. We were just talking about affirmative action. How many ladies do you have in the Bureau of Land Management? I am told by those who are in the know that we do not refer to them as ladies anymore. We call them women. Is my memory right?

Mr. BURFORD. I think you are probably correct.

Mr. YATES. Let me just say at the start, do not worry about leaving in a few minutes if you have other things to do. I want to explain to the class from Chicago Latin School that the purpose of this hearing is to try to find out how much money the officials of the Bureau of Land Management need to operate their agency for the next fiscal year. They come in with this document that we review. This is called the Budget Justification, and they have stated in here all the reasons why they think that the Federal Government ought to provide them with the sum of $546 million in order to operate it. This is Mr. Burford, who is the boss of the Bureau of Land Management. You can see what a tough, tough boss he is.

Mr. BURFORD. I am really not as tough as the chairman says.

Mr. YATES. And Mr. Burford comes from Colorado originally, where he was the Speaker of the House in the Colorado legislature, but that goes back many, many years ago, before he was subjected to the kind of activity in which he is now engaged.

This is Congressman Regula of Ohio. He is what we call the ranking minority member of this subcommittee. Ranking minority member means he is the top Republican member. The Republicans are in the minority in the House and the Democrats are in the majority, and the Democrats or whoever is the party in power acts as chairman of the various committeees and of the various subcommittees. I find Mr. Regula to be a very able and a very conscientious person. I am not going to tell you that he and I think alike on every issue, because we do not, but we get along fairly well. He started out as a high school teacher and as a principal of a high school in Canton.

Mr. **Regula**. It was an elementary school near Canton.

Mr. **Yates**. And, of course, he does a good job of speaking for himself. I do not know quite what he thinks as I am proceeding to describe his qualities and his qualifications. He does the same thing with his students back home. He brings them here to Washington, which is wonderful, because you see the Nation's Capital, you see it in operation. It is the capital of your country; and you are going to take over in a few years, doing the same things that Mr. Regula is doing, the same things that I am doing, of trying as best we can to answer the very complicated issues that face us in this Nation and in the world today.

With that we will start asking Mr. Burford some questions. Mr. Murtha, who was here, as you can see, he is the No. 2 Democrat. When I am not here, he conducts the meeting.

What has been covered so far?

Mr. **Burford**. The waterfront.

Mr. **Yates**. Which waterfront? Oil and gas leasing?

Mr. **Burford**. And grazing fees.

OIL AND GAS ROYALTIES

Mr. **Yates**. How many of you have been to California and seen the derricks over the coast of California where they are pumping oil? Do you want to put your hands up? One of the most difficult questions that faces us in this committee is whether or not to expand the number of derricks that are drilling oil out there, or whether because of environmental reasons that number should be limited. We do know that we need more oil and gas. The amount that we have is running out and will continue to run out. It is a finite resource. It is a resource that is not renewable, so we have to explore for more oil and gas; and the question is how fast should we proceed. Should we go all out and drill and drill and drill as fast as we can, or do we worry about the environmental effects of this? What effect will this have on the area around California? That is taken care of with the so-called offshore leasing that is done by one agency.

Mr. Burford is in charge of leasing onshore. He gives licenses to those who want to sink wells on public lands in the West, in the South, wherever the Federal Government owns land that is under their jurisdiction. How well are you doing, Mr. Burford?

Mr. **Burford**. Not as well as I was doing when oil was bringing $30 a barrel. We are seeing a decrease in interest in drilling activity. It is entirely predictable because of this recent drop over the last 4 or 5 months in oil prices. The activity is down considerably.

Mr. **Yates**. The people to whom Mr. Burford gives licenses to drill are required to pay the Federal Government, how much is it now? It was 16½ percent.

Mr. **Burford**. It is 12½ percent.

Mr. **Yates**. 12½ percent.

Mr. **Burford**. It is 12½ percent onshore.

Mr. YATES. Those who get the leases are required to pay the Federal Government 12-1/2 percent of all the returns that they get from the leases for the oil that they drill.

Mr. BURFORD. Or if it is a high-producing well, it could go up to 25 percent on a sliding scale.

Mr. YATES. When oil was selling at $30 a barrel, which was 2 years ago, Mr. Burford's organization was able to bring into the Treasury of the Federal Government the sum of?

Mr. BURFORD. Last year we brought in $1.1 billion, if I remember correctly.

Mr. LAWTON. About $800 million on royalties.

Mr. YATES. They brought in $800 million on the lease royalties. Two or 3 years ago, it was more than that, was it not?

Mr. BURFORD. Yes.

Mr. YATES. Because the price of oil was greater.

Mr. LAWTON. No, it was not up too much. Last year, it was probably about as high as we have gone.

Mr. YATES. Then why does Mr. Burford say that he is not doing so well this year?

Mr. BURFORD. Because it is going down this year.

Mr. YATES. To what? From $800 million, what is it going down to?

Mr. BURFORD. Royalties will probably drop 50 percent.

Mr. YATES. I do not think your assistant here believes that same thing. I do not understand why it would go lower now when you are getting this lower amount, and you were getting the same amount when oil was $30 a barrel.

Mr. LAWTON. The amount that will be plugged and shut in has increased.

Mr. YATES. I see. Mr. Burford and his associate are telling us that because the price of oil has gone down so much, oil is not being drilled by some people. They are plugging their wells, because they say that it costs too much money to drill the oil. They do not make an adequate return, so they are not going to drill oil until the price of oil goes up again. Now you feel it, or your parents feel it, because when you drive your car, the amount that you pay for gasoline is going to be reflected in the prices that we pay for barrels of oil. Mr. Burford is going to run his operation and the Federal Treasury is not going to get as much money this year as it got last year.

Mr. BURFORD. That is my guess.

GRAZING FEE

Mr. YATES. What about grazing fees? Mr. Burford also has lands on which cattle graze, and these are leased out to ranchers in the West, and the ranchers pay under Mr. Burford—they do not pay enough.

Mr. BURFORD. That is a point of disagreement.

Mr. YATES. Mr. Burford charges what, $1.35?

Mr. BURFORD. Yes $1.35.

Mr. YATES. He charges $1.35 per animal unit month. The same lands that are run by the Indians pay as much as $8 per animal unit month. The same quality lands that are leased by the Air

Force pay as much as $8 per animal unit month, so Mr. Burford may dispute those figures; but those are the figures that have been shown to this committee. You do not dispute that, do you?

Mr. **Burford**. I do not know the specific cases you are referring to.

Mr. **Yates**. We have the schedule here, if that will help. At any rate, Mr. Burford is one of the key people in our Government who brings money into the Treasury of the United States, because he leases public lands and gets rents for them. He leases——

Mr. **Burford**. Coal.

Mr. **Yates** [continuing]. Coal, and gets the rents for it. He leases oil drilling places, he gets the royalties for those. The sum total of all those moneys is expected to approximate what, $8 billion this year, or is it more in the budget?

Mr. **Burford**. We have got a figure here someplace.

Mr. **Yates**. For Mr. Burford, the amount is approximately a quarter of a billion dollars, $250 million. The receipts from another operation of offshore leasing of oil will be in the neighborhood of $7 billion or $8 billion, I guess.

Mr. **Burford**. Yes.

ROYALTIES ON INDIAN OIL AND GAS LEASES

Mr. **Yates**. Now, Mr. Burford, the Bureau of Land Management has been criticized because, in connection with leases of Indian wells, there is a question as to whether or not the Indians are getting all the royalties they are entitled to. Is that one of your questions too, or is that MMS?

Mr. **Burford**. That is MMS.

Mr. **Yates**. You do not have to worry about that.

Mr. **Burford**. No, we take care of the inspections. We went through that.

Mr. **Yates**. With Mr. Murtha?

Mr. **Burford**. Yes, sir. We expect that we will about double our diligence inspections, this year over last year, and we have trained quite a few Indians. We have cooperative agreements with three tribes.

Mr. **Yates**. The Navajo.

Mr. **Burford**. The Jicarilla-Apache, Navajo, and Ute-Mountain Utes, and we are working on a cooperative agreement with the Southern Utes and the Wind River Tribe.

Mr. **Yates**. I should explain to you—on their lands many of them have oil and coal deposits. Under their relationship with the Federal Government, the United States Government is supposed to take care of providing the Indians with the revenues, collecting the revenues on their lands under these leases and paying it to them.

There is a very serious question raised by the Indians as to whether or not they have received all the money they were entitled to, that Mr. Burford's operation, the Bureau of Land Management and the Minerals Management Service, are in charge of. But the contention has been made that literally millions of dollars have not been collected because of faulty equipment, not having enough inspectors on the job. It is the purpose of our committee, among other reasons, to try to find out from Mr. Burford whether those losses are still occurring, whether they are being minimized by the appointment of more people to see whether or not more royalties are being paid, whether there are better audits to see if the Indians' rights are being protected.

Mr. Burford is telling us what?

Mr. **Burford**. As far as our part of it is concerned, the inspections and diligence and so forth, we expect we will double those inspections this year over last year. We have also trained quite a few Indians to do some of their own inspections and take care of some of their own problems. We have agreements with them where they will do their own inspections.

Mr. **Yates**. All right. You have asked for more money for this purpose. You have asked for an additional $1 million to help you carry out this purpose. Are you going to hire additional people with that money or how do you propose to spend it?

Mr. **Burford**. We requested an additional $1,070,000, which will permit the completion of all the high priority inspections required by FOGRMA. Also, we are going to improve the automated onshore oil and gas lease inventory inspection system which will substantially increase the productivity of the bureau's inspections.

The result of these actions will be the completion of an additional 3,000 high priority inspections at the 1987 estimated level.

Mr. **Yates**. Mr. Burford, your estimate also shows you are going to try to do this with 42 fewer people.

Mr. **Burford**. That is right.

Mr. **Yates**. How can you increase the quality of your inspections? How can you raise the amount of inspection value that you have with fewer people? And 42 fewer people at that.

DELEGATION TO STATES

Mr. **Lawton**. FOGRMA itself provides under Section 205 that we can delegate to the states the responsibility for enforcement and inspection. During the past year, we have met with the western states, the eastern states also, to determine how many of them would be interested in taking over this responsibility. By statute they are fully reimbursed for the work done on the Federal portion of the inspection.

We have met with the states. We have three to five states that have indicated an interest, and this is reflected in the budget.

Mr. **Yates**. How many states are covered by your inspections?

Mr. **Lawton**. Total states?

Mr. **Yates**. Yes.

Mr. **Lawton**. We cover everything. We have 31 states east of the Mississippi that are covered by our Eastern States Office, but many of those have no oil and gas production to inspect.

Mr. **Yates**. I am talking about those that have the oil and gas production. What I am trying to find out is how you can do your work as well or better, as you say, with 42 fewer people. Who is going to do the work then?

Mr. **Lawton**. The states would, by delegation. We would furnish the funding. They would hire the people and do the inspections, and this is where we come up with the 42 decrease in the number if the states take this responsibility.

Mr. **Yates**. Well, with the 42 people you weren't able to do the work as well as you wanted to do it because otherwise we wouldn't have the kind of criticism that the inspections weren't adequate. How many people are going to be hired by the states, do you know?

Mr. **Lawton**. We have no idea how many they would hire, but they would not need as many as we do because they inspect their own wells. So just by proximity of the area they would inspect our wells. They would have to add people. Our guess is from the evaluation we have made in Wyoming, Utah and California where we have 55 inspectors—that by their taking over the responsibility we can get along with 13. Then by funding theirs, they could adequately do the job.

Mr. **Yates**. When will this transition take place?

Mr. **Lawton**. We don't know. We are still negotiating with the states. They have not indicated that they will enter into the agreements. The downturn in the oil might influence them to where they would not accept it.

But our budget is based upon the assumption that some of the states will be interested in taking over the delegated responsibilities.

Mr. **Yates**. Suppose they aren't? You are going to be caught with the need to carry on your inspections, aren't you?

Mr. **Lawton**. We would go with the inspectors we have.

Mr. **Yates**. What do you mean? You are asking this committee to cut your budget by $1 million.

Mr. **Burford**. No, sir. It is an increase of $1 million, Mr. Chairman. It is an increase.

Mr. **Yates**. Excuse me. You are asking this committee to eliminate 42 FTEs from your inspection service.

Mr. **Burford**. With the idea that money will go to the States if they take it over. I am assuming that——

Mr. **Yates**. Suppose they don't, Mr. Burford?

Mr. **Burford**. Then we won't be able to eliminate 42 FTEs.

Mr. **Yates**. When will we know?

Mr. **Burford**. I don't know when to expect a definite word on that.

Mr. **Yates**. What do you want us to do on the committee? Do you want us to cut the number of FTEs?

Mr. **Burford**. We are asking for an increase in funding; and, if we are able to delegate that authority, we will cut those FTEs. If we can't do it, we will just do more inspections. If the States don't accept the delegation of responsibilities we won't eliminate those positions.

INDIAN DILIGENCE REVIEWS

Mr. **Yates**. Now, your budget justification requests an increase of $800,000 and 15 FTEs for Indian diligence reviews. The increase allows for reviews every two to three years.

Is that often enough?

Mr. **Burford**. We think it is often enough. We try to concentrate on places where we think there will be problems. We think we can perform about 1,800 reviews each year. It would be on a two- to three-year cycle in New Mexico because we have so many leases down there and on either an annual or biannual basis in the other states. We think that is probably often enough.

Mr. **Yates**. Well, now, are there any leases that require a more frequent review?

Mr. **Burford**. If we have trouble, if we note that there seems to be some trouble someplace, we will have somebody watching out and probably look at that on a more frequent basis.

Mr. **Yates**. Well, now, where does your responsibility begin and end with MMS? What is the relationship? Is there a meshing of your responsibilities here? As far as I am concerned—and I think as far as the committee is concerned, we are kind of unhappy at the triple play that is required here. Do you have BLM to MMS to BIA in a payment process for the Indians? You do the inspections, you pass on the information to MMS. MMS takes the information that you give at face value, doesn't it, in order to lay the foundation for the amount of money that it provides to BIA to pay to the Indian allottees.

Mr. **Burford**. We now have a steering committee which we think is working well between the agencies; and if there are any differences, they are brought to the committee and ironed out at that time. I work fairly closely with both Mr. Bettenberg and Mr. Swimmer who is the Assistant Secretary for Indian Affairs, and we think that we are taking care of any problems.

There have been problems in the past. There will continue to be a certain amount of friction in agencies, and I really don't see any way to get rid of it completely.

Mr. **Yates**. Well, here we have the report of the Linowes Commission. We have the report of our investigating staff. We have other information that indicates that between five and ten percent of the royalties are not being paid to the Indians because you just don't—you and MMS and BIA just don't know what the actual amounts are. MMS is now engaged in establishing a system of guidelines, presumably for their auditors, and how accurate can their audits be without guidelines?

But then they are basing their audits on the information you give them, aren't they?

OIL AND GAS PRODUCTION VERIFICATION

Mr. **Burford**. On production verification.

Mr. **Yates**. Yes.

Mr. **Burford**. Yes. We are trying to get that information to them.

Mr. **Yates**. What does an inspector do? How does an inspector go about his work?

Mr. **Lawton**. There are several phases. They inspect the actual exploratory drilling wells. They inspect them for safety, adherence to the application permitting them to drill, all the requirements.

This is for a drilling well. On a producing field, they have the responsibility of visiting the field to inspect for health and safety, production verification, site security, anything that goes on in that producing area. They are responsible to be certain it conforms to not only the Government regulations, but also the special application of procedures assigned to that APD or the drilling within that area. For production verification, we go out and actually inspect the on-site records of the production, the meters that record that production, either gas or oil, coming out of that field into the storage tanks.

They review the load tickets that are the record of production going from the field, if it is trucked out, or the metering records if it is sent from the field by pipeline. We review all of that information.

Any time we see that there may be a discrepancy, we ask MMS for an audit, meaning we take the records that are there, that the operator provides. Then they look at that to see if that is the same as the operator is reporting to them.

The operator himself reports the production to MMS. We do not. We only report from our production verification the information to them.

Mr. YATES. How do you verify it? Suppose the producer either deliberately or accidentally stops the meter from running for a day or so, or two days or so?

Mr. LAWTON. That is not possible with the procedures that are laid out. These are automatic meters right in the line itself. If there is fluid moving, they will record it.

If there is a broken meter, then that is a violation; and they must fix that immediately. If we suspect there is a problem, then we can call for an audit to make certain that the operator's records do conform to the field requirements.

Mr. YATES. Why then did the Linowes Commission conclude five to ten percent of the oil being pumped was not being paid for?

Mr. LAWTON. That may be in their interpretation of the records that the operator furnishes to MMS. There are always opportunities for discrepancies in what they report versus what they actually produce.

But that is one of our reasons for the production verification is to go on-site and try to determine what is being produced and then comparing that to the records that are provided by industry.

Mr. BURFORD. That report may not be exactly up to date. We have done a lot of things—we have changed a lot of things since the report came out.

Mr. YATES. What have you done?

Mr. BURFORD. We set up these inspection enforcement people, requested money from this committee to fund that. There are 120——

Mr. LAWTON. We have 112 right now.

Mr. BURFORD. We have 112 people on board.

Mr. YATES. 112?

Mr. BURFORD. Yes.

Mr. YATES. How many did you have in 1982, for example?

Mr. LAWTON. I don't have a record on that because they were still with MMS at that time.

Mr. BURFORD. It was before some of those functions were moved to BLM, which occurred in 1983.

Mr. YATES. Before you got it, who did it? G.S.?

Mr. BURFORD. Yes.

Mr. LAWTON. MMS for about one year and before that it was the Conservation Division of the Geological Survey.

Mr. **Yates**. Mr. Regula.

Mr. **Regula**. Thank you, Mr. Chairman.

MARIJUANA PROBLEM

Before I leave, I wanted to ask you about the problems that were alluded to in the Wall Street Journal series as it affects the drug trade. They note in there that they are using abandoned air strips on some BLM land, and I just wondered if you would tell us on the committee how you are addressing the problem and if you need any additional assistance?

Mr. **Burford**. We have put in a request for about the same amount of money. We cooperate especially in California, but to a certain extent in almost every state with the local law enforcement people and the people from DEA.

We do not have law enforcement power ourselves, so we make cooperative agreements with the county sheriffs. There has been a very active program in California to spot these areas that give concern, spot growth—if we can spot those plants from the air, and we go in and search and destroy them in conjunction with the local sheriff's department and with the State police and the Drug Enforcement Administration, DEA. We picked up a plantation, if you would, in New Mexico last year, as an example, that had I think 28—I am not sure about that number.

I think it was 28,000 plants.

Mr. **Regula**. Are these marijuana plants?

Mr. **Burford**. Yes, marijuana plants on it, a rather complex irrigation system. It was on public lands and it was quite a big expense because we had to keep guards on it. We understand that land has re-volunteered and is coming up again this year.

I don't remember the extent of the fine that was placed on the people that were caught, but they were fined for agricultural trespass, an extensive fine.

Mr. **Regula**. Do you think your people should be given law enforcement powers?

Mr. **Burford**. I don't think so, Mr. Regula, because I don't believe our job is to look after that.

We may need to expand our range reports a little bit for crowd control. We have some investigators looking into the various problems we have with theft on public lands, but I would not be—I would really not ask for law enforcement authority because I don't believe in sending people out to enforce the law if they are not very well trained.

We have a problem in today's world that even some people who are trained get shot by stopping a speeder or something, and I would not like to put the people who work for the bureau in those kinds of situations.

I think they should report and let the law enforcement persons take over.

Mr. **Regula**. Are they allowed to carry arms?

Mr. **Burford**. Only in certain instances. The rangers carry a sidearm. Special agents carry sidearms. In Alaska, we have allowed—we made a rule that the national surveyors can have a shotgun with them because of marauding bears coming into their camps. Last summer, we probably saved a life by the fact there was a shotgun in that camp because a bear got one of the surveyors down and started to eat on him, and one of the other men picked up a shotgun and got rid of the bear.

Mr. **Regula**. In the Wall Street Journal article, they mentioned, and I quote from it, it says, ". . . and now drug runners have begun to fly in and out of abandoned World War II air strips on BLM land."

My question would be why can't you blow a few holes in those air strips and render them unusable?

Mr. **Burford**. That might be a solution we might need to look into. I can make suitable inquiry to the California State Director and see if that is a possibility. I am not sure that would meet with the approval of some of the people who don't want to see the land torn up.

Mr. **Regula**. It would seem to me that you could render air strips unusable without too much alteration.

Mr. **Burford**. There are places in the desert where you can land a plane just on a road. It is a vast 29 million acre area out there in California, counting public lands and private lands in that conservation area. The Manson family was able to hide out up there for months. It is just a lonely place.

Mr. **Regula**. Thank you, Mr. Chairman.

Mr. **Yates**. Mr. AuCoin?

Mr. **AuCoin**. Mr. Burford, your BLM dominion covers 342 million acres of land and most of it, not all of it, but most of it is governed along with other laws by the Federal Land Policy Management Act, FLPMA. That is correct, is it not? That excludes the O&C.

Mr. **Burford**. Except the O&C.

THREATENED AND ENDANGERED PLANTS

Mr. **AuCoin**. What kind of requirements do you have for managing habitats of sensitive plant species?

Mr. **Burford**. Well, we are under the same constraints as any other land management agency. We abide by the Endangered Species Act. When we identify those places, either habitat or the area where a T&E species exists, we have to take special note of it. One example that comes to mind immediately is the fringe-toed lizard in Coachella Valley, where we have set up a cooperative operation with the Nature Conservancy and some of the local people. There is a lot of BLM land, and we have put some fairly stringent rules on that particular habitat.

We have other places where we have to keep a watch out for other species of plants and animals both.

Mr. **AuCoin**. Plants and animals both.

Mr. **Burford**. Yes, sir.

Mr. **AuCoin**. Isn't it true that the essential habitats of sensitive plants are to be managed in order to minimize or eliminate the need for future listings as threatened or endangered under the Endangered Species Act?

Mr. **Burford**. That is what we try to do, yes.

Mr. **AuCoin**. That is a statutory mandate.

Mr. **Burford**. Yes.

NUMBER OF BLM BOTANISTS

Mr. **AuCoin**. For those 342 million acres to which that mandate applies, how many full-time botanists does the BLM have on staff? You had eight in fiscal year 1985.

Mr. **Burford**. I will have to get that for you for the record.

Mr. **AuCoin**. You had eight in fiscal year 1985. Does that sound about right today or are there fewer?

Mr. **Burford**. That is probably a pretty static figure. My guess is.

Mr. **AuCoin**. It is no more than what it was in 1985?

Mr. **Burford**. I don't believe so.

Mr. **AuCoin**. It could be less, and you will tell us for the record.

Mr. **Burford**. I will get that. We will supply that for the record.

Mr. **AuCoin**. In fiscal year 1982 you had 17, so there has been a decline from fiscal year 1982 to fiscal year 1985 and a possible decline even further under this budget submission, but you will submit it for the record.

Mr. **Burford**. Yes.

[The information follows:]

Botanist Positions

The Bureau's wildlife habitat program provides for the protection, management, and improvement of threatened and endangered species plants. Currently, the Bureau has 12 botanist positions which are distributed as follows:

State	*Number*
Arizona	[1]2
California	2
Idaho	[2]4
Oregon	4
Total	12

[1] 1 vacant.

[2] 3 vacant.

ADEQUACY OF BOTANIST STAFF

Mr. **AuCoin**. We are talking about FTES. Are the botanists that you have capable of handling all of the work in the 11 states where the lion's share of the BLM land is found, given that acreage figure and the mandate I referred to?

Mr. **Burford**. I guess I would have to judge that on the intensity of work required. If we were going to make an inventory of everything that is on the public lands, I would have to answer no. If we are going to identify the areas as they are brought to our attention and try to put some stipulations on them, I think we are probably doing a fairly decent job.

We also use contract botanists to make inventories at various times, and we have some other professionals in the field. Rangers also get some courses in botany so a lot of them are quite expert in identification of various grasses, sedges and so forth.

Mr. **AuCoin**. That is a pretty ambitious mandate, though, protecting, managing, in order to minimize or eliminate the need for future listing as threatened or endangered. That is a pretty ambitious mandate.

Mr. **Burford**. It is.

Mr. **AuCoin**. You have 342 million acres.

Mr. **Burford**. I can't remember now whether it is 342 or a little less.

Mr. **AuCoin**. We are talking about a pretty fair chunk of land.

Mr. **Burford**. Give or take, ten percent.

Mr. **AuCoin**. How is the BLM doing in protecting areas of critical environmental concern and research natural areas in those states where you don't have full-time botanists? I am thinking of Colorado, Montana, and New Mexico.

Mr. **Burford**. Well, an area of critical environmental concern is only one way of designating an area of special interest. It covers—by the very title, itself—a great many things. We have about 90 ACECs in California.

On the other hand, we don't have any in Nevada; but we have a lot of specially designated areas in the State of Nevada. Some of them are designated for a particular purpose, because they are habitat for a certain type of wildlife.

Some of them have special stipulations on any use that goes on in that area.

Mr. **AuCoin**. All of these lands are important. Otherwise, we wouldn't be managing them at all.

Mr. **Burford**. Yes.

Mr. **AuCoin**. Areas of critical environmental concern, as the designation implies, have a particular criticality that deserve special attention. You would agree with that, wouldn't you?

Mr. **Burford**. Yes. But it is an all-encompassing term. Sometimes we have some areas that are designated something else, but it probably could be substituted for an ACEC.

Mr. **AuCoin**. The question I am really driving at, though, Bob, is how are you doing in those states where you don't have full-time botanists, in identifying and protecting areas of critical environmental concern and research natural areas as compared to states where you do have full-time botanists?

Mr. **Burford**. I would have to look that up and make some kind of comparison. The question has never come up before, but I will get you an answer for that.

Mr. **AuCoin**. If you would, I would appreciate it. I know it will be as candid as your answers always are.

Mr. **Burford**. Especially the way the Wall Street Journal described me.

[The information follows:]

AREAS OF CRITICAL ENVIRONMENTAL CONCERN (ACEC'S)

Many of the Bureau's wildlife biologists, range conservationists, and soil scientists have a background and some expertise in botany, and are used in performing duties relating to the identification and protection of T/E plants inside or outside ACEC's. In addition, the Bureau makes use of university expertise and contracts for special data needs relating to T/E species. There appears to be little, if any, relationship between States with botanists and the actual identification and protection of ACEC's since botanical values are but one component of the basis for ACEC designation.

PROTECTION WITH FULL-TIME BOTANISTS

Mr. **AuCoin**. Aren't the efforts, generally speaking, for protection of ACECs and RNAs much better as a rule where you do have full-time botanists? That is a fair statement, is it not?

Mr. **Burford**. On the face of it, I will agree. I don't have the figures to say positively "aye" or "nay".

Mr. **AuCoin**. You will follow up in addition to that?

Mr. **Burford**. Yes.

[The information follows:]

Protection of ACEC's

The BLM can find no evidence to support the theory that ACEC's are better protected in States with full-time botanists. Once a botanically related ACEC is identified, the personnel necessary to protect such an area rarely need to have a high level of botanical expertise since the management plan usually provides the necessary guidelines for management.

OREGON & CALIFORNIA GRANT LANDS

Mr. **AuCoin**. Mr. Chairman, I have a few questions on O&C, if you don't mind my asking them.

Mr. **Yates**. Okay.

Mr. **Burford**. Do you know what that stands for, Mr. Chairman?

Mr. **Yates**. O&C?

Mr. **Burford**. Yes.

Mr. **Yates**. It is the pledge of allegiance of every Oregon representative.

Mr. **AuCoin**. Not only the pledge of allegiance, the holy grail.

Mr. **Burford**. You think there is not an area of critical environmental concern in Oregon, let me tell you about some of my experiences.

Mr. **Yates**. File them for the record.

TIMBER HARVEST IN O&C

Mr. **AuCoin**. Mr. Burford, according to the information I have, just over one billion board feet of timber was harvested from BLM lands in western Oregon in fiscal year 1985. For the first five months of fiscal year 1986, however, 466 million board feet were harvested. By my reckoning, that is an increase in the harvest rate of about 30 percent. Does that sound about accurate to you?

Mr. **Burford**. I don't have those figures with me, so I will rely on your figures.

Mr. **AuCoin**. Can anyone here respond to that. That is not far off, is it?

Mr. **Baier**. It sounds like the normal sales rate.

Mr. **AuCoin**. Harvest. I am talking about harvest rates.

Mr. **Baier**. I am sorry. Those figures we would have to get for you.

Mr. **AuCoin**. Is there no one here that can confirm whether those numbers are approximately right? This is an appropriations hearing.

Mr. **Baier**. We are talking about sales, not harvesting.

Mr. **Burford**. We have figures on sales, but not the harvest.

Mr. **AuCoin**. Let me posit for you, it is about a 30 percent rate, because we have done a little homework on it. Your budget justification, on page 280, assumes an O&C harvest level in fiscal year 1986 of 950 million board feet. Based on the performance to date—and I refer to what I have just stated to you—isn't that estimate too low?

Mr. **Burford**. It possibly could be. There has been more activity out there just recently; and, according to some information I received a couple or three weeks ago, some of the Forest Service sales that have been held have jumped considerably in stumpage prices. So it looks as if there is more activity going on.

In fact, it was reported to me that one of the Forest Service sales went over $300 a thousand board feet, which is getting back up to where it looks like it might almost be speculative again.

I hope we don't get back in that same situation we were in a couple of years ago.

Mr. **AuCoin**. But in terms of volume, it would appear that estimate may be too low?

Mr. **Burford**. It may be a little low.

REFORESTATION

Mr. **AuCoin**. What does that high harvest rate do to your reforestation budget? Doesn't it require more research for reforestation if it remains higher than projected?

Mr. **Burford**. Yes, it probably would. We had a slack period there for a while when they weren't harvesting those sales because of low timber prices.

Mr. **AuCoin**. Now we have got that difference we have both just agreed to.

Mr. **Burford**. That is something that is very hard for us—well, you know how good the Government is at predicting future prices. I mean we are great.

Mr. **AuCoin**. Yes. Yes.

Mr. **Burford**. Everybody in Government knew gasoline was going to go down below a dollar by this time this year.

Mr. **AuCoin**. If it does require more resources for reforestation, that really raises a question of what you are assuming for reforestation in terms of the need in fiscal year 1987. Can you tell the subcommittee what your estimate is on the reforestation need for 1987?

Mr. **Burford**. Site preparation on 23,000 acres, which is 1,000 more than last year and reforestation of 23,000 acres which is 630 more than last year.

Mr. **AuCoin**. That is 630 acres more?

Mr. **Burford**. Yes.

Mr. **AuCoin**. Would you think, given the fact that the harvest rate is up about 30 percent over the previous year, that that may be underestimated?

Mr. **Burford**. We may have to reprogram some money into there. We do try to keep current on reforestation out there. I have had that impressed on me by several people from my state.

Mr. **AuCoin**. This may well be underfunded? It is possible?

Mr. **Burford**. I don't believe I have ever come up here with a perfect budget yet.

Mr. **Yates**. That is true.

Mr. **Burford**. I don't expect to ever come up here with one.

I knew you would agree with that. I don't ever expect to come up here with a perfect budget.

WESTERN OREGON PUBLIC DOMAIN TIMBER MANAGEMENT

Mr. **AuCoin**. I understand you have decided to merge the western Oregon public domain timber management budget into the O&C account. Now, the western Oregon public domain appropriation usually runs around $900,000. That is correct, isn't it?

Mr. **Burford**. Yes. That sounds about right.

Mr. **AuCoin**. So that $51,160,000 budget request for the O&C actually assumes an additional work requirement that has been funded in the past at around $900,000; is that correct?

Mr. **Burford**. Yes.

Mr. **AuCoin**. Why should those accounts be merged? Isn't there a special history to the O&C lands that makes them different from regular BLM activities and aren't the statutes that govern those two kinds of lands very different in their mandate?

Mr. **Burford**. It happens that those lands, the public domain lands in that area are managed with the same intensity because they are highly productive lands, as are the lands in the O&C.

Mr. **AuCoin**. Is the receipt allocation the same?

Mr. **Burford**. No. But the receipts are kept separate.

Mr. **AuCoin**. Why have you mixed the public domain management money into the O&C account, and asked the O&C to take on an additional work requirement that in the past had been funded at a level of almost $1 million.

Mr. **Burford**. Although the monies were kept separate before, the same people were doing the work. They were doing it part-time. Those lands are intermingled out there and they are doing it—they are managed with the same intensity, and the same people do the work. They are the same type of lands as the O&C lands.

I think that was a budget decision in the budget shop.

Mr. **AuCoin**. You didn't recommend that?

Mr. **Burford**. No. But I can see why they made that determination.

Mr. **AuCoin**. When you look at the lands—and they are intermingled—when you look at the whole and the management of them, what this budget submission does is cut approximately $800,000 off the level of management that heretofore had been appropriated; is that right?

Mr. **Burford**. For that one item, I suppose that is right.

Mr. **AuCoin**. Will that affect receipts?

Mr. **Burford**. I don't think it will.

Mr. **AuCoin**. Why won't it?

Mr. **Burford**. We have got a lot of turnback sales there that are not going to cost us much to get back out into the sale process. I don't think our receipts are going to go down that much, and I recognize your concern with those receipts inasmuch as the county is getting 50 percent of them.

Mr. **AuCoin**. What account—forest management or forest development—is used for handling the turnback sales program?

Mr. **Burford**. It would be timber management, I guess.

Mr. **Baier**. That is correct.

Mr. **AuCoin**. Management for the turnback? Yes?

Mr. **Burford**. Yes.

Mr. AuCoin. For forest management and forest development, did the BLM have $1.1 million in carryover funds available for expenditure in fiscal year 1986?

Mr. Burford. Yes. My budget people say that is correct.

Mr. AuCoin. Are those extra funds incorporated into the O&C forest management and development accounts?

Mr. Burford. Yes, they are available.

Mr. AuCoin. Will there be any carryover funds from the current fiscal funds available in fiscal year 1987?

Mr. Burford. We are estimating about the same carryover.

Mr. AuCoin. You are?

Mr. Burford. But we are not sure—that may change if something comes up.

Mr. AuCoin. If you had higher labor costs for reforestation contracts, for example, that would have an impact on it?

Mr. Burford. Yes. We had a problem with Gramm-Rudman on the O&C account; right?

Ms. White. Gramm-Rudman is going to affect the funds that carry over into next year.

Mr. Burford. We had some problem with that. The O&C account payments got a little messed up.

O&C ALLOWABLE CUT

Mr. AuCoin. With the $22.9 million budgeted for the Bureau of Land Management in 1987, will the BLM be able to put up for sale the full 1.183 billion board feet allowable cut of the O&C lands, plus the full program for public domain lands?

Mr. Burford. We think we will, yes.

Mr. AuCoin. That is your testimony. You will be able to do that.

Mr. Burford. Yes, sir.

Mr. AuCoin. With the $19.2 million budgeted for forest development, will the BLM be able to do the management work needed to sustain that sales level that I mentioned into the future?

Mr. Burford. We think we can still do it, yes.

Mr. AuCoin. You can manage it at that level in perpetuity?

Mr. Burford. The State Director says he can.

Mr. AuCoin. So that is your testimony?

Mr. Burford. Yes.

REFORESTATION OF O&C LANDS

Mr. AuCoin. Coming back to reforestation, your testimony is that reforestation costs might well be higher because of the accelerated harvest level.

Mr. Burford. It could possibly be higher.

Mr. AuCoin. You are going to provide the committee a more specific recommendation on that?

Mr. Burford. Yes. We will get that information. We will get whatever information is available from Oregon and get it up to you.

Mr. AuCoin. Just one other quick question.

FORESTRY INTENSIFIED RESEARCH (FIR)

What are your requests for, one, recreation; two, anadromous fish habitat improvement; and three, FIR, this year as opposed to last year?

Mr. **BURFORD**. I think we are down on FIR because, if I remember correctly, that research is winding down now. I talked to the state director out there, and it was his intention to try to shift some monies into COPE as they become available. Isn't that COPE?

Mr. **AuCOIN**. Yes. You are interested in that, aren't you?

Mr. **BURFORD**. Yes. I have talked to the state director in Oregon about the two programs. I don't know whether we are going to be able to keep funding all that research or not, but we will make an attempt to.

Mr. **AuCOIN**. Can you tell me what the request level is for each of those three as opposed to last year's appropriated level?

Mr. **BURFORD**. We are down $264,000 on FIR.

Mr. **AuCOIN**. From?

Mr. **BURFORD**. From $1,292,000. We have not made a decision on COPE as to whether we are going to be able to go into it or not.

Mr. **AuCOIN**. Let me ask you one other thing back on FIR. How is that $1.292 million allocated between O&C and MLR? Can you tell the subcommittee that?

Mr. **HILDEBEIDEL**. The Oregon State Office, in terms of using the money, charged most of the FIR against the MLR activity, the $900,000.

Mr. **AuCOIN**. $900,000 of it was charged against MLR?

Mr. **HILDEBEIDEL**. Right. So it freed that O&C money up to do other work. It was an internal accounting judgment made by the state office.

Mr. **AuCOIN**. How about this year? Do you anticipate allocating it the same way with the smaller total amount of funds?

Mr. **HILDEBEIDEL**. In 1987, sir?

Mr. **AuCOIN**. Fiscal year 1987.

Mr. **HILDEBEIDEL**. No, sir. We won't have the $900,000 in the MLR account under this budget.

Mr. **AuCOIN**. How will you be allocating it?

Mr. **HILDEBEIDEL**. It will come out of the O&C timber reforestation account.

Mr. **AuCOIN**. You are pushing it all over to O&C for fiscal year 1987.

Mr. **BURFORD**. Right.

ANADROMOUS FISH HABITAT

Mr. **AuCOIN**. Can you give me the comparable figures for the anadromous fish habitat program?

Mr. **BURFORD**. It would be $935,000 for all wildlife habitat.

Mr. **AuCOIN**. That is this year or 1987?

Mr. **BURFORD**. That is 1987, yes. There will be a reduction of $250,000.

Mr. **AuCOIN**. That represents a $250,000 reduction?

Mr. **BURFORD**. In that fish program.

Mr. **AuCoin**. The O&C had a five-year program for habitat improvement. I think it was $500,000 a year. What impact does this budget submission have on that?

Mr. **Burford**. I think it is down to $300,000 now in this budget.

Mr. **AuCoin**. It drops from $500,000 to $300,000?

Mr. **Burford**. Yes.

O&C RECREATION MANAGEMENT

Mr. **AuCoin**. Finally, recreation. Can you give me the comparable figures for that item?

Mr. **Burford**. It is the same this year as it was last year, $582,000.

Mr. **AuCoin**. Thank you.

Thank you, Mr. Chairman.

INSPECTIONS OF INDIAN OIL AND GAS LEASES

Mr. **Yates**. Let me go back to the Indian leases for a moment. You have two types of inspections, I take it, one for diligence review and another one just for inspection of the meters and compliance, right?

Mr. **Lawton**. Well, the same inspection is made, but we have two——

Mr. **Yates**. Are they made by the same people?

Mr. **Lawton**. Yes, sir.

Mr. **Yates**. I was not sure from reading your justification whether you had two sets of inspectors, one for diligence and one for compliance.

Mr. **Lawton**. We have inspectors in the field. Indian diligence would also be done by geologists and inspectors in the office to actually look at the record logs and drilling information. This would be along the lines of KGS determination.

Mr. **Yates**. This wouldn't be duplication?

Mr. **Lawton**. No, sir.

Mr. **Yates**. Do you know the amount of leases?

Mr. **Lawton**. We have about 14,000 Indian leases.

Mr. **Yates**. How many of these get the required annual inspection?

Mr. **Lawton**. Well, there are only about 4,000 of those, I believe, that are producing. We don't inspect if they aren't producing.

Mr. **Yates**. How many are producing?

Mr. **Lawton**. Four thousand.

Mr. **Yates**. How many get their required inspection?

Mr. **Lawton**. We have established priorities for the inspections. For the high priorities, we go to those at least once a year unless we have a problem. Then we can go as frequently as we feel is necessary.

Mr. **Yates**. In other words, you make one inspection on 4,000 leases once a year?

Mr. **Lawton**. Not necessarily, because we may not go to those of lower priority. They may be stripper wells, or shut in most of the year, or seasonal. Only for the high priority leases do we really focus on getting there at least once a year, or as frequently as necessary based upon production, history of the operator, and environmental consequences.

Mr. YATES. Well, now, you say that the amount of money you are requesting for Indian diligence reviews will allow for reviews every two to three years.

Now is that sufficient?

Mr. LAWTON. We have a study underway right now looking at what should be the frequency for examining Indian diligence by lease. It may be that for some of these, five years would be as frequent as would be necessary.

It depends on how much drilling is taking place on that lease. If it is an established field that is old, there is no new drilling, it is just reworking. For this type work, there is not the necessity for frequent inspection.

Five years may be adequate there. It may be that some will continue to be inspected once a year; for others, every two or three years would be adequate. It depends mainly upon the drilling program in the area, the history of the field itself.

Mr. YATES. What kind of production verification do you do on Indian leases?

Mr. LAWTON. We do the same inspection there that we do on our own lands. In fact, all of our inspections cover both Indian and the BLM lands. We do a little more intensive investigation on Indian lands because those are mainly allottee lands where the Indians actually live on the land itself. So we go into the health and safety more, and then into the ground water contamination because some of their water comes from the aquifers under the field.

WILD HORSES AND BURROS

Mr. YATES. Let me ask a question on wild horses and burros. How many do you expect to round up in fiscal year 1986?

Mr. BURFORD. Around 12,000, I think.

Mr. YATES. 12,000?

Mr. BURFORD. It is 14,000.

Mr. YATES. 14,000 in 1986. How many do you estimate for 1987?

Mr. BURFORD. About 4,500.

Mr. YATES. Why the difference? That is three times as much this year as next year.

Mr. BURFORD. We are encountering considerable expense on those we have got in the corrals.

Mr. YATES. How many do you expect to have adopted in 1986?

Mr. BURFORD. Around 9,000—9,300.

Mr. YATES. How many in 1987?

Mr. BURFORD. Around the same. No, it is 13,500, I guess. We are going to put a little more emphasis on adoptions if we can and try to get some of those horses out of corrals.

Mr. YATES. Why is that so tough a problem? Why do you worry about the horses and burros eating up your rangeland? You have 4.3 million animals grazing on BLM range lands. Why are you worried about 50,000 horses and burros?

Mr. BURFORD. Those horses and burros are concentrated in certain areas and that is specified by the Wild Free-Roaming Horse and Burro Act. In some of the areas, they are very, very injurious to wildlife and to the range itself.

Mr. **Yates**. What is the nature of the injury that they perform?

Mr. **Burford**. The horse is probably the animal that is harder on the range than any other animal.

Mr. **Yates**. In what way?

Mr. **Burford**. Because they paw and pull grass up by its roots and they tend to congregate and they tend to trail long distances to water. Anyone who has been in the livestock business knows that a horse will eat almost 24 hours a day while other animals sleep at night. Horses sometimes don't sleep much.

Mr. **Yates**. They don't?

Mr. **Burford**. No.

Mr. **Yates**. They eat instead of sleep?

Mr. **Burford**. Yes, they eat instead of sleep. If feed is available, they will eat a good 20 hours a day. Generally, it is assumed——

Mr. **Yates**. They must get fat.

Mr. **Burford**. On some ranges, they will really get fat. In the wintertime they generally get thinner, but an old rule of thumb was a horse would consume twice as much as a cow.

Mr. **Yates**. Where are they congregating? For instance, out of the 50,000, how many horses are there as opposed to burros? You have 50,000 horses and burros.

Mr. **Burford**. Probably 10,000 are burros, and the rest of them are horses.

Mr. **Yates**. Forty thousand horses and 10,000 burros.

Mr. **Burford**. I think the figure is a little higher than that; 50,000 horses and 10,000 burros.

Mr. **Yates**. The total is 60,000. When the horses accumulate, in what numbers do they accumulate? What is the number that you find in a pack of horses on any particular location?

Mr. **Burford**. Sometimes 100, 200. Some of them are smaller. Some of the places that I have looked at personally are generally arid, and there is only one source of water. Sometimes that water gets very, very low in the summertime, and those horses congregate around there to the exclusion of wildlife. They really keep it all messed up, and deer and mountain sheep won't come into it.

Mr. **Yates**. Let's come back at quarter to two. I have a vote that is on.

AFTERNOON SESSION

THEFT OF INDIAN OIL

Mr. **Yates**. Is there any theft of oil on Indian reservations?

Mr. **Burford**. Not that we have detected.

Mr. **Yates**. How good are your detection facilities?

Mr. **Burford**. We think they are reasonably efficient.

Mr. **Yates**. Last year, our investigative staff found that there were some thefts being reported from the Farmington, New Mexico office. Are any thefts being reported from any other office?

Mr. **Lawton**. No, sir. If it happens, it is in the San Juan Basin area; and the theft there would be the condensate from the gas separators from the gas field. Conceivably, that has been going on for years, with people just putting it right into their tanks. They can drain it off from separators. It doesn't go through the storage system, the metering system, and if there were instances, those would be the ones; but this would involve a five-gallon can at a time.

COAL LEASING

Mr. **YATES**. In February, Secretary Hodel approved resumption of coal leasing again. Will this be done under regulations which incorporate the recommendations of the Linowes Commission and OTA?

Mr. **BURFORD**. Yes, we adopted practically all of the recommendations of those two reports. Before the program gets officially underway, we have some rulemaking, and I anticipate that probably the earliest would be late 1987 before we could do anything. Given the way the market is right now, I am not sure there is any demand out there. We made a rough cut at looking at what we anticipate would happen today if the Powder River sale were held in the economic atmosphere of this spring. We concluded that probably only five of the tracts would have any bids at all, and that they would probably be real close to the minimum bid, which is $100 per acre. The sale would probably result in only bringing about $6 million into the Treasury as compared to the $54 million it did bring. That is in today's atmosphere, with the energy demand down and the oil prices way down. Some places are converting from coal back to oil now, because of the drop in oil prices.

Mr. **YATES**. That won't last long.

Mr. **BURFORD**. No. I think it's a temporary thing.

Mr. **YATES**. Yes. How much does conversion cost? It is a pretty expensive deal, isn't it?

Mr. **BURFORD**. I think they have got some of those boilers that they can retrofit fairly easily.

Mr. **YATES**. What regions are under study for coal leasing? Is Powder River under study?

Mr. **BURFORD**. We haven't started any studies. We reinstituted the Federal-State Coal Advisory Board and held a meeting in Denver about a month ago. We have a couple of the coal teams, regional coal teams, that are getting set up; but we haven't taken any formal action to do much of anything yet.

Mr. **YATES**. What about the diligence requirements? Are you easing that off, or do you still maintain it for your coal leasing?

Mr. **BURFORD**. Coal leasing?

Mr. **YATES**. Yes.

Mr. **BURFORD**. We haven't eased off on anything, and I don't know what is going to happen on the bill that is in Congress on diligence and the railroads. I think there is a bill in the Senate now.

Mr. **LAWTON**. Yes, sir, there are four bills now being marked up on the Senate side having to do with Section 3. Section 7 is the diligence requirements.

OIL SHALE AND TAR SANDS

Mr. **YATES**. You are terminating the oil shale and tar sands program in fiscal year 1987, is that correct?

Mr. **BURFORD**. Yes, sir.

Mr. **YATES**. Are there any remaining tar sands leases?

Mr. **Burford**. Yes, there is still some active experimentation going on in tar sands. We monitor anything that goes on. We just recently received a payment on one of the oil shale leases in Colorado, but there has been one lease in Utah turned back to the Government. We have not received it yet because there are a lot of improvements on it that we really don't know what to do with. There is a big shaft there.

Mr. **Yates**. This is in Utah?

Mr. **Burford**. Yes, it is in Utah. The company has stated that they want to turn it back.

Mr. **Yates**. Which company?

Mr. **Burford**. Which one is it, Bob?

Mr. **Lawton**. That was Phillips. The two in Utah have been combined, and everything in Utah is being relinquished.

Mr. **Yates**. Being relinquished to the Government?

Mr. **Lawton**. Yes.

Mr. **Yates**. Will that cost the Government anything?

Mr. **Burford**. We haven't taken them yet because we want to see if we can find out if there is going to be a cost to it. The company should have to pay for the reclamation of the ground. It seems a waste of somebody's dollars. There is a water system there. There is an electric power system. There are lot of buildings. The state director out there is having some discussion with the state and with the county. The county would like to turn it into a minimum security prison if possible because it would provide some work for that particular county. So until we find out whether it can be used, we have not received the lease back yet.

Mr. **Yates**. Does your acceptance of return require congressional approval?

Mr. **Burford**. I don't think so.

Mr. **Lawton**. No, sir, it does not. It requires acceptance by the Secretary.

Mr. **Yates**. Are there any royalties still due on the leases?

Mr. **Burford**. No. There is a minimum royalty that was paid on one lease in Colorado. Was that Cb?

Mr. **Lawton**. Yes, it was Cb. They paid $1.7 million.

Mr. **Burford**. That is the first payment that has been due.

Mr. **Yates**. What is the status of the two Colorado oil shale leases?

Mr. **Burford**. That is the one we are talking about.

Mr. **Yates**. Oh, I thought they were in Utah.

Mr. **Burford**. No. Cb is a Colorado lease, and it paid $1.7 million.

Mr. **Yates**. What is happening to that one, is it still going forward?

Mr. **Burford**. There is not much work being done on it now. There is some experimental work still going on by Union, but that is on privately owned oil shale.

Mr. **Yates**. Do you have to continue doing inspection work on it?

Mr. **Burford**. Well, it is just driving over the range now, because everything will be shut down probably. They still have people up there, but there just isn't any interest in trying to build anything or trying to do any mining.

Mr. **Yates**. In your workload data, you list two sales for fiscal year 1986. Where are those sales supposed to take place?

Mr. **Lawton**. They would be the tar sands sales. We have no schedule for oil shale sales.

Mr. **Burford**. Yes, that is tar sands.

Mr. **Yates**. Where are they going to take place?

Mr. **Lawton**. They would be in the tar sands triangle area of Utah.

Mr. **Yates**. Are there going to be any environmental statements in the next fiscal year?

Mr. **Lawton**. The environmental work in that area has been completed.

MINING LAW ADMINISTRATION

Mr. **Yates**. You want an increase of $100,000 a year in nonenergy materials to approach the goal of one inspection per year of each mining operation. That is correct, isn't it?

Mr. **Burford**. As I read it, that is correct.

Mr. **Yates**. How many mining operations exist that you have to inspect?

Mr. **Lawton**. Which one is this on?

Mr. **Yates**. Nonenergy minerals, hard rock, page 54.

Mr. **Lawton**. These would be the potash, the sodium mines. These would be the inspections.

Mr. **Yates**. But how many can you make a year? How many inspections do you make in connection with that activity?

Mr. **Hildebeidel**. Page 55 is mining law, not potash. These are mining claims, page 54 or 55.

Mr. **Lawton**. For mining law, this is where we actually go out to the mine, and most of them are validity exams of the mining claims.

Mr. **Burford**. To make sure there is discovery.

Mr. **Yates**. How many do you have to do?

Mr. **Lawton**. We don't know. It depends on what actions come up, we have to go out and do an evaluation of the mine.

Mr. **Yates**. Would your records indicate how many you did in 1985?

Mr. **Lawton**. The records indicate 170 in 1985.

Mr. **Yates**. Is there a backlog on them?

Mr. **Lawton**. Not really a backlog, no, sir.

Mr. **Yates**. Why do you want an increase in funding then? I don't understand. You are asking for an increase in funding of $100,000.

Mr. **Lawton**. We are going to have to go out and do more validity exams.

Mr. **Yates**. If you have no backlog, why do you have to do that? Why do you need an increase?

Mr. **Hildebeidel**. I think the increase is for surface management regulations, 43 CFR 3809-3802, not for validity.

Mr. **Yates**. What is the situation on those?

Mr. **Hildebeidel**. We have under the regulation on surface management, the mining claimant submits a plan of operations or notice, depending on the size of the area, and we review the notices and the plan of operation. I believe there are six or seven hundred plans per year, Bob, that they have to review, and several thousand notices. There is some leadtime there on which we aren't meeting the 90- and 60-day deadlines, right?

Mr. LAWTON. On the plans themselves, yes, sir. On a plan of operation, they have to come in with a plan that spells out the type of work they will be doing. It will spell out the reclamation priorities. These are required on any action that is five acres or more on that mine. We have to go through that and approve those applications. On a notice which is for less than five acres on a mine we do not approve the plans. They submit them and we review them, but it does not require approval. So the increase would be on the plans side of it.

URANIUM MINE INSPECTIONS

Mr. YATES. You propose to increase the level of inspections of uranium mines. Why are you doing that?

Mr. BURFORD. That is for health reasons. Most of that is on Indian reservations.

Mr. LAWTON. All of the leases are on Indian lands, and it is uranium tailings, this type of thing.

Mr. BURFORD. It is a health situation.

Mr. YATES. Do you have a role in the reclamation of abandoned uranium mine sites?

Mr. LAWTON. On the Indian ones, yes, sir.

Mr. YATES. What do you have to do?

Mr. LAWTON. Well, we inspect those, and we inspect the reclamation that is done. We have done the EIS work, or are involved in and participate in the work on some of the activities.

Mr. BURFORD. Some of the negotiations for reclamation, one of them that just took place included an agreement between the mining company and one Indian tribe in New Mexico that required a settlement of $42 million for that reclamation. That has just recently been negotiated by the department.

Mr. YATES. Who is it?

Mr. BURFORD. The company was Anaconda.

Mr. YATES. What is the payment for?

Mr. BURFORD. Forty-two million dollars to reclaim the Jackpile Mine, which is a uranium mine on an Indian reservation. That has been a negotiation in the process for, I would say, three or four years.

Mr. LAWTON. Yes.

Mr. BURFORD. They thought they had it settled once. I think around $25 million is what the company offered. They have decided to settle at $42 million.

Mr. YATES. What about DOE's program to reclaim abandoned mines? Is any of that program on your land?

Mr. LAWTON. Yes, sir. They have, I think it is, 33 uranium claims that are on public land, but they have responsibility for the reclamation and the management of those lands.

Mr. YATES. How many such sites, abandoned uranium mine sites, are there on BLM land?

Mr. LAWTON. We really don't have a number on that.

Mr. YATES. Shouldn't we have a number on that?

Mr. **Lawton**. It would be difficult to get a number, because when the uranium mining was most active in the 1950s, there was no recording with the Federal Government of mining claims on Federal lands.

Mr. **Burford**. It was with the counties.

Mr. **Lawton**. Until 1978, then they were required to record with the Federal Government, and only then do we have an account of how many mining claims are on the public lands.

REALTY OPERATIONS

Mr. **Yates**. Let's talk about realty operations. When are you going to issue new regulations on the recovery of the Government's share of rights-of-way processing?

Mr. **Burford**. We have been working on those ever since the court decision that said they were illegal. We hope to come out within the next weeks, something like that.

Mr. **Yates**. Have you any idea as to how much of the Government expense you are going to be able to recover?

Mr. **Burford**. Well, we hope we will be able to, in most cases, recover most of the cost through these regulations.

AUTOMATED LAND AND MINERAL RECORD SYSTEM

Mr. **Yates**. What is the status of the Automated Land and Mineral Record System?

Mr. **Burford**. We have a report, I think it came in this morning.

Mr. **Yates**. It came in last night.

Mr. **Burford**. Yes, late last night. We did anticipate that you would be interested in the report.

Mr. **Yates**. We are interested.

Mr. **Burford**. We did make an extra effort to get it out before this hearing.

Mr. **Yates**. What is the total cost of this activity in fiscal year 1987, and where in the budget is it located?

Mr. **Hildebeidel**. The cost of it is in two places. One of them is in our lower 48 lands program, and in that program it is $3,006,000. The other part of it is in our data management program, and the figure there is $2,006,000. So that is a total of $5,012,000.

Mr. **Yates**. What is the total cost going to be ultimately?

Mr. **Hildebeidel**. We really don't have a budget estimate on the total cost. There are some figures in the cost-benefit study, but those are not necessarily what the budget will require, because there may be some other ways of obtaining some of that funding, through outside contributions.

Mr. **Burford**. We anticipate that some of the costs that we are going to have will be reimbursed from some of the other agencies, because if ALMRS and the GIS system work the way we think they can, we will try it out on a trial basis before we get into real heavy expenditures. I think we are going to try it out in New Mexico and Arizona. It will be a fairly expensive system, but it will benefit Fish and Wildlife and the National Park Service.

Mr. **Yates**. When is it going to be completed?

Mr. **Burford**. We don't have a full timetable. That is going to depend on the results of our experiments. It will take several years to complete. I think it is something that the bureau does need badly, but it will also be valuable, we think, to some outside businesses and things like that. We expect to—we hope we can recoup some of the costs that way, as well as from Fish and Wildlife and the Park Service and perhaps the Forest Service, because it should be valuable. If GIS and ALMRS are all tied together with geographic coordinates, it should prove to be very valuable for states, local governments, almost anyone that deals in land or titles.

LAND EXCHANGES

Mr. Yates. What is the extent of your activities in exchanging public lands for private lands in the national parks or forests?

Mr. Burford. What was the last exchange we had? Do you remember? The biggest one I guess that took place last year was the acquisition of about 40,000 acres of private land which was a ranch owned by Chevron. We exchanged a lot of different scattered tracts in Arizona for that ranch. It's mainly used as wildlife habitat. There are some threatened endangered species on that land. There are several antiquity sites on that particular ranch.

Mr. Yates. Are there any statutory limitations on these kinds of exchanges?

Mr. Burford. I don't think so. It has to be clearly in the public interest.

Mr. Yates. Of comparable value.

Mr. Burford. Yes. We can't cross state lines without legislation. We have some exchanges under way in Wyoming, some in-holdings in a park area. Which park is that in? Grand Teton National Park.

Mr. Yates. Do you want to put in the record a list of what you have pending on these land exchanges?

Mr. Burford. Sure. With the Park Service?

Mr. Yates. With the Park Service and Forest Service, and Fish and Wildlife.

[The information follows:]

PENDING LAND EXCHANGES WITH OTHER SELECTED FEDERAL AGENCIES

Agency and State	Name	Acres selected	Acres offered
National Park Service:			
Arizona	Tuzigoot	3,040	721
Arizona	Saguaro	80	70
Washington	Olympic	600	640
Wyoming	Grand Teton	1,200	1,000
Utah	Glen Canyon	51,000	62,000
California	Santa Monica Mts.	2,732	16
Subtotal		58,652	64,447
Forest Service:			
Arizona	Magna/Copper	566	105
Oregon	Hines	3,500	5,680
Nevada	Solenson	1,200	3,670
Nevada	Flex	98	2,266
Subtotal		5,364	11,721
Fish & Wildlife Service:			
Arizona	Kofa	15,405	15,405

PENDING LAND EXCHANGES WITH OTHER SELECTED FEDERAL AGENCIES—Continued

Agency and State	Name	Acres selected	Acres offered
Colorado	Mantle Ranch	3,000	520
Subtotal		18,405	15,925
Total		82,421	92,093

WITHDRAWAL REVIEW SUIT

Mr. **Burford**. You know that a suit has been brought against us on the withdrawal review programs, stopping a lot of exchanges at the present time. It will probably tie up that one in Wyoming. It has stopped several that we had with the Forest Service in Colorado. If we don't get it resolved some way, our land exchange program will be slowed down. Some of the states are concerned about it. It has stopped an exchange in California with the Nature Conservancy. That one would have benefitted wildlife in particular.

Mr. **Yates**. How many acres are covered by that suit?

Mr. **Burford**. I guess we are enjoined on it.

Mr. **Parker**. It is still a matter of interpretation.

Mr. **Yates**. How big is the suit? Do you have a ballpark figure?

Mr. **Parker**. Nationwide.

Mr. **Yates**. Nationwide?

Mr. **Burford**. Yes.

Mr. **Parker**. It would take us back to 1981.

Mr. **Yates**. We have the orders of the court we will put into the record at this time.

[The material follows:]

(24)

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

FILED
DEC 4 1985
JAMES F. DAVEY, Clerk

NATIONAL WILDLIFE FEDERATION,)
Plaintiff,)
v.) Civil Action No. 85-2238
ROBERT F. BURFORD, et al.,)
Defendants.)

ORDER

Upon consideration of plaintiff's motion for a preliminary injunction, defendants' opposition thereto and plaintiff's reply, and

Finding that a preliminary injunction is necessary to preserve the relative positions of the parties until this case can be decided on the merits, and further

Finding that the plaintiff has shown a substantial likelihood of success on the merits, and further

Finding that plaintiff will suffer irreparable harm if the requested injunction is not issued, and further

Finding that issuance of the requested injunction would serve the public interest, it is by the court this 4th day of December, 1985

ORDERED that plaintiff's motion for a preliminary injunction is granted, and it is

ORDERED that as used in this order, the terms "public lands" and "withdrawal" shall have the meaning given them by the

Federal Land Policy and Management Act, 43 U.S.C. § 1702(e), (j), and it is

ORDERED that the defendants, their officers, agents, servants, employees, and attorneys, and those persons in active concert or participation with them are hereby enjoined from:

1. Modifying, terminating or altering any withdrawal, classification, or other designation governing the protection of lands in the public domain that was in effect on January 1, 1981, or

2. Taking any action inconsistent with any withdrawal, classification, or other designation governing the protection of lands in the public domain that was in effect on January 1, 1981, including, but not limited to, the issuance of leases, the sale, exchange or disposal of land or interests in land, the grant of rights-of-way, or the approval of any plan of operations; and it is

ORDERED that all persons holding interests, including but not limited to, ownership, possession, mining claims and their development, leases and rights-of-way, in lands that were the subject of classification terminations or withdrawal revocations since January 1, 1981 are hereby enjoined from taking any action inconsistent with the present status quo of these lands, including but not limited to, the staking of additional mining claims, obtaining new leases, mining, timber removal, land clearing, construction, or other forms of development; and it is

ORDERED that the defendants shall forthwith cause a copy of this order to be published in the Federal Register and posted and made available to the public in defendants' offices in any state where this order might affect any person; and it is

ORDERED that pursuant to Rule 65(c) of the Federal Rules of Civil Procedure, plaintiff shall post security for this injunction in the amount of one hundred ($100.00) dollars, and it is

FURTHER ORDERED that a status call is scheduled for Monday, January 6, 1986 at 9:30 a.m., Courtroom No. 12, United States Courthouse.

J. H. Pratt

John H. Pratt
United States District Judge

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

FILED
DEC 4 1985
JAMES F. DAVEY, Clerk

NATIONAL WILDLIFE FEDERATION,
Plaintiff,
v.
ROBERT F. BURFORD, et al.,
Defendants.

Civil Action No. 85-2238

ORDER

Upon consideration of defendants' motion to dismiss for failure to join indispensible parties and for lack of standing, plaintiff's opposition and defendants' reply and upon hearing the parties on September 16, 1985, it is by the court this 4th day of December, 1985,

ORDERED that defendants' motion to dismiss is hereby denied.

J. H. Pratt
John H. Pratt
United States District Judge

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

FILED
DEC 4 1985
JAMES F. DAVEY, Clerk

NATIONAL WILDLIFE FEDERATION,)
Plaintiff,)
v.) Civil Action No. 85-2238
ROBERT F. BURFORD, *et al.*,)
Defendants.)

ORDER

Upon consideration of the motion to intervene of Chairman John F. Seiberling of the House Committee on Public Lands, the response thereto, and the record herein, it is by the court this 4th day of December, 1985,

ORDERED that the motion to intervene of Congressman Seiberling be and the same hereby is granted.

J. H. Pratt
John H. Pratt
United States District Judge

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

NATIONAL WILDLIFE FEDERATION,)
)
Plaintiff,)
)
v.) Civil Action No. 85-2238
)
ROBERT F. BURFORD, et al.,)
)
Defendants.)

FILED
DEC 4 1985
JAMES F. DAVEY, Clerk

MEMORANDUM OPINION

Introduction

Plaintiff, an environmental organization, brought suit against the Director of the Bureau of Land Management, the Secretary of the Interior and the Department of the Interior to challenge the lifting of protective restrictions on certain federal lands. Plaintiff's cause of action arises under the Federal Land Policy and Management Act, the Environmental Policy Act of 1969 and the Administrative Procedure Act. The case is now before us on a motion to intervene by Congressman John F. Seiberling, defendants' motion to dismiss and plaintiff's motion for a preliminary injunction.

Background

This litigation focuses on defendants' termination of protective classifications and revocation of withdrawals on approximately 170 million acres of public lands since 1981. The Federal Land Policy and Management Act, 43 U.S.C. §§ 1701 et seq. (1982) (FLPMA), establishes comprehensive rules for the management of federal lands. The FLPMA includes two systems for preserving land in the public domain and thereby for protecting it from private ownership and development. "Classifications" allow the Department of the Interior to categorize lands according to their proper use. "Withdrawals" directly remove lands from private development and exploitation. Subject to certain procedural controls, the Secretary of the Interior may open land to private development by terminating the applicable classification or withdrawal. See 43 U.S.C. §§ 1712(d), 1714. Since the passage of the FLPMA in 1976, defendants have terminated classifications on 160.8 million acres of land, Parker Affidavit at ¶ 35, and revoked withdrawals for 20 million acres, Edwards Affidavit 1A at ¶ 25.

Plaintiff contends that in lifting these restrictions, defendants improperly ignored certain requirements of the FLPMA. Among plaintiff's claims are that defendants failed to review land status actions in the context of land use planning, to submit to the President and Congress withdrawal revocation recommendations, to promulgate rules and regulations governing withdrawal revocations, to provide for public participation, and to prepare environmental impact statements. Plaintiff ultimately seeks a declaration that defendants' land withdrawal program violates applicable law and regulations; an order both reinstating all withdrawals, classifications or other designations in effect on January 1, 1981[1] and enjoining defendants from taking any action inconsistent with these designations until they comply with their statutory obligations; and an order mandating that defendants rescind all directives, instructive memoranda, manuals or other documents regarding classification or withdrawal terminations until they have promulgated certain rules and regulations.

Plaintiff now moves for a preliminary injunction. The claim for relief here is more narrow than that in the Complaint. Specifically, plaintiff requests this court, inter alia, to enjoin defendants from modifying, terminating or altering any withdrawal, classification or other land use designation in effect on January 1, 1981,[2] and to enjoin them from taking any action inconsistent with the 1981 status quo. It "does not seek to invalidate existing mining claims or mineral leases nor does it seek to overturn completely sales or exchanges of previously withdrawn lands." Plaintiff's Reply Memorandum at 8-9.

In the meantime, defendants have moved to dismiss the entire action for failure to join indispensable parties, in particular the holders of mining claims and mineral leases on the disputed lands. They have also moved to dismiss Count II of the

[1] Although the figures in this case focus on events since 1976, it appears that most if not all of the contested terminations occurred since January 1, 1981.

[2] Plaintiff never revised the motion, which refers to October 21, 1976, the date mentioned in the original Complaint. We believe, however, in light of both the Amended Complaint and the argument at the hearing, that plaintiff intends to focus on the 1981 date.

Amended Complaint, relating to failure to submit recommendations to the President and Congress, on the ground that the plaintiff lacks standing to raise this claim.

In addition to the motion for a preliminary injunction and motion to dismiss, we have before us a motion for intervention. Congressman John F. Seiberling, Chairman of the House Subcommittee on Public Lands, seeks to intervene in this action as a plaintiff. We will address these three motions in reverse order.

Discussion

I. Motion for Intervention

Congressman Seiberling's motion to intervene invokes Federal Rule of Civil Procedure 24. Because we find that Congressman Seiberling meets the requirements for permissive intervention under Rule 24(b), we do not need to reach the question of whether he also qualifies under subdivision (a).

Rule 24(b) allows intervention "upon timely application" by a person whose claim or defense shares with the main action a common question of law or fact. Although Congressman Seiberling moved to intervene three months after the complaint was filed, we decline to hold that his motion was untimely. To begin with, the amount of time elapsed since the complaint does not itself determine timeliness. Natural Resources Defense Council v. Costle, 561 F.2d 904, 907 (D.C. Cir. 1977); Hodgson v. United Mine Workers of America, 473 F.2d 118, 129 (D.C. Cir. 1972). Instead, we must look both to the purpose for which intervention is sought and to the improbability of prejudice to those already in the case. NRDC v. Costle, 561 F.2d at 907; Hodgson, 473 F.2d at 129. Although Congressman Seiberling seeks to intervene for the full course of the litigation, we can see no possible prejudice to defendants as a result of the timing of this motion.

Having satisfied the threshold requirement of timely application, Congressman Seiberling also meets the substantive criteria of Rule 24(b)(2). Congressman Seiberling alleges that defendants violated § 204(l) of the FLPMA, 43 U.S.C. § 1714(l), which requires submission to Congress of recommendations for land withdrawal revocations. Plaintiff raises the same claim in Count II of its Amended Complaint. As these identical allegations thus clearly show, the motion to intervene presents common questions of law or fact.[3]

Defendant attempts to block intervention by arguing that Congressman Seiberling lacks the necessary injury in fact for standing. We disagree. It is not necessary to prolong this discussion with citations that injury in fact is a key requirement of standing. Association of Data Processing Service Organizations, Inc. v. Camp, 397 U.S. 150, 152 (1970). If Congressman Seiberling was merely complaining that defendants have not faithfully executed the law, his claim, as a generalized grievance, would not constitute injury in fact. All citizens share his interest, American Federation of Government Employees v. Pierce, 697 F.2d 303, 305 (D.C. Cir. 1982), and it is well settled that such "generalized grievances about the conduct of government" do not afford standing. Flast v. Cohen, 392 U.S. 83, 106 (1968); American Federation of Government Employees, 697 F.2d at 305.

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[3] Since the § 204(l) claim satisfies the standard of Rule 24(b)(2), we do not need to address the issue of Congressman Seiberling's defense of the provision's constitutionality.

However, Congressman Seiberling is not seeking just to express a generalized grievance. He is suing to enforce his right as a Congressman to participate in withdrawal revocation decisions. Legislators have standing to challenge objective diminution of their influence in the legislative process. See Harrington v. Bush, 553 F.2d 190, 212 (D.C. Cir. 1977), cert. denied, 435 U.S. 947 (1978); Kennedy v. Sampson, 511 F.2d 430, 434 (D.C. Cir. 1974), cert. denied, 454 U.S. 1082 (1981). In particular, executive action that nullifies a specific congressional opportunity to vote constitutes injury in fact to individual Members of Congress. See Goldwater v. Carter, 617 F.2d 697, 702 (D.C. Cir. 1977), vacated on other grounds, 444 U.S. 996 (1979).

In the present case, the FLPMA requires the President to transmit to the President of the Senate and the Speaker of the House the Secretary's recommendations for withdrawal revocations. The statute further authorizes a concurrent congressional resolution that the recommendations should not be implemented.[4] Defendants' bypassing of the congressional review process thus denied to Congressman Seiberling the potential opportunity to approve or reject proposals to terminate specific land withdrawals. This diminution of Congressman Seiberling's authority caused injury in fact and thus guarantees his "personal stake in the outcome of the controversy." Baker v. Carr, 369 U.S. 186, 204 (1962).[5]

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[4] As the government defendants note in their opposition to the preliminary injunction, this provision for concurrent resolution may be unconstitutional after Immigration and Naturalization Service v. Chadha, 462 U.S. 919 (1983). However, defendants do not request a ruling on its constitutionality, see Opposition to Motion to Intervene at 6, and we do not express an opinion on the issue. As long as this provision remains in the statute, the (con't)

Congressman Seiberling also fulfills the causation and redressability criteria for standing. A plaintiff must not only demonstrate injury in fact, but also show both that the injury can be traced directly to defendant's action. Allen v. Wright, 104 S. Ct. 3315, 3325 (1984); Simon v. Eastern Kentucky Welfare Rights Organization, 426 U.S. 26, 41-42 (1976), and that the relief he requests will redress the injury. Id. at 38. Mountain States Legal Foundation argues that because the statute channels

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FLPMA promises to every Member of Congress the opportunity to vote on the Secretary's recommendations. It is of no concern that there is no ongoing legislative process, as Mountain States emphasizes. Mountain States Opposition at 11 n.11. Here, defendants' failure to submit recommendations to Congress precluded such a process from even commencing. Congress had nothing to review.

[5] We reject defendants' suggestion that Congressman Seiberling cannot assert the interest of Congress in the absence of a congressional resolution authorizing such representation. Where a Member of Congress is not appointed to sue, he must demonstrate personal injury, Harrington, 553 F.2d at 199-200 n.41. However, he can do so indirectly by showing (1) injury in fact to Congress and (2) injury to himself, as an individual legislator, because of the harm done to the institution. Id. Here, Congress' exclusion from the withdrawal revocation process constitutes injury to Congress. Because of this exclusion, Congressman Seiberling lost a concrete opportunity to exercise his voting authority as a Member of Congress. The fact that he was also Chairman of the Subcommittee on Public Lands does not diminish his standing as an individual legislator. See National Wildlife Federation v. Watt, 571 F. Supp. 1145, 1147 (D.D.C. 1983)(recognizing standing of Congressman Udall "as a Congressm and as a Committee Chairman").

the Secretary's recommendations through the President, Congressman Seiberling cannot satisfy either requirement. We reach a different conclusion. The statute allows the President no discretion. He must transmit to Congress the recommendations he receives. As a mere conduit for the Secretary's recommendations, the President does not interrupt the causal connection between defendants' actions and the lack of any reporting to Congress. Similarly, if defendants are ordered to report to the President, the mere implication that the President might withhold information from Congress and thus violate the express terms of the FLPMA does not threaten redress enough to interfere with standing.

Accordingly, we grant the motion to intervene.

II. Motion to Dismiss

A. Failure to Join Indispensible Parties

While the holders of mining claims and mineral leases are necessary parties, their absence does not compel dismissal. Defendants assert that plaintiff should have joined as defendants all third parties who hold mining claims or mineral leases to the lands at issue. Federal Rule of Civil Procedure 19 requires a two-step analysis for such compulsory joinder claims. First, the court must determine if the absent party falls within the category of persons "to be joined if feasible." Second, the court must determine whether, in equity and good conscience, the case should proceed without the third party or be dismissed. Provident Tradesmens Bank & Trust Co. v. Patterson, 390 U.S. 102, 108-09 (1968); Defenders of Wildlife v. Andrus, 77 F.R.D. 448, 451 (D.D.C. 1978).

The mining claimants and lessees meet the first requirement of compulsory joinder, as set out in Rule 19(a). They all claim an interest in the lands that are the subject of this action. See Rule 19(a)(2). In the case of the mining claimants, this interest may even amount to exclusive possession and enjoyment. 30 U.S.C. § 26 (1982).

Furthermore, disposition of the action in their absence could impair or impede the ability of these parties to protect their interests. See Rule 19(a)(2)(i). If plaintiff's injunction is granted, such relief could suspend development of the third parties' interests. Until as late as 1991, defendants would be unable to issue patents, approve lease activities -- in short, to authorize any commercial activity on these lands. Furthermore, if Congress rejects the Secretary's recommendations to revoke the withdrawals, those parties who now hold mining claims or mineral leases could lose their interest altogether. The fact that plaintiff does not directly seek to void these interests is irrelevant. What matters is the effect of ultimate disposition of the case.

The third parties here could suffer harm not just by disposition of the action but by disposition in their absence. To be sure, the present defendants share the interest of these parties in resisting plaintiff's proposed injunction. In fact, the intervention by the Mountain States Legal Foundation, which represents a group of mining and milling lessees, ensures advocacy of at least some of the third parties' claims. However, only the absent parties can accurately measure the full value of the interests that they now hold and the extent to which that value could be impaired or lessened. Their absence weakens defendants' ability precisely to articulate the harm that plaintiff's requested relief would cause. In sum, it cannot be denied that these holders of mining claims and leases have legitimate interests.

Our finding that the mining claimants and lessees are necessary parties under Rule 19(a), however, does not end the inquiry. In determining whether or not to dismiss, we must consider and weigh (1) the extent of potential prejudice to these parties, (2) the possibility of avoiding this prejudice by shaping alternative measures of relief, (3) the adequacy of judgment in these parties' absence, and (4) the adequacy of plaintiff's remedy if we dismiss. Balancing these factors, we conclude that the action may proceed without the mining claimants and lessees. Our reasoning may be summed up in the discussion which follows.

The fact that dismissal of plaintiff's claims for relief in this court would effectively foreclose plaintiff from relief elsewhere outweighs the more speculative harm to the absent parties. As we discussed, supra, plaintiff's proposed injunction would suspend development of and, depending on plaintiff's success in obtaining permanent relief, could possibly revoke existing claims or leases. Thus, if the case proceeds without the presence of the claimants or lessees, these third parties would suffer temporary hardship; the possibility of permanent harm, however, is only a matter of speculation.

In contrast, dismissal for failure to join would deny plaintiff an adequate forum in which ever to prosecute its claim. The availability of an alternative forum represents a "critical consideration" in deciding joinder questions. Pasco International (London) Ltd. v. Stenograph Corp., 637 F.2d 496, 500 (7th Cir. 1980). The lands involved in this case lie in seventeen different states. The absent parties probably cover an even broader geographical range. Because of problems of jurisdiction and venue, plaintiff could never join all defendants in one forum. Requiring it to bring seventeen separate lawsuits or even to combine actions through the device of multidistrict litigation would create enormous administrative disorder and delay. Dismissal, therefore, would effectively discourage and, for all practical purposes, put an end to this litigation. Balanced against the merely temporary or speculative harm to the absentees, this harsh result supports denial of the defendants' motion to dismiss.

The two other factors listed in Rule 19(b) do not influence our determination. If, as plaintiff contends, defendants have illegally terminated classifications and withdrawals, it may well be necessary to grant the injunction requested. Any lesser relief that sought to provide protection for the interest of third parties would have the effect of

Watt, 526 F. Supp. 1271 (D.D.C. 1981); Natural Resources Defense Council, Inc. v. Berklund, 458 F. Supp. 925 (D.D.C. 1978), aff'd per curiam, 609 F.2d 553 (D.C. Cir. 1979).

The policy behind the "public rights" exception emphasizes the need to permit plaintiff to proceed without joining the mining claimants and lessees. As Judge June Green noted in NRDC v. Berklund, 458 F. Supp. 925, the "public rights" exception serves to remove joinder as an obstacle that might otherwise preclude litigation against the government. Id. at 933. Because plaintiff lacks an alternative forum, requiring joinder of all parties could foreclose forever a legitimate cause of action against the government. We cannot sanction such a Draconian result. We therefore have no difficulty in denying the motion to dismiss for failure to join indispensible parties.

B. Lack of Standing on Count II

Defendants argue that plaintiff National Wildlife Federation lacks standing on Count II of its Amended Complaint, the claim that defendants violated the FLPMA by failing to submit recommendations to the President and Congress. As well indicated at the hearing, National Wildlife Federation might lack standing if it stood alone. However, this issue has become moot because we have permitted Congressman Seiberling to intervene as a plaintiff. As we discussed above, Congressman Seiberling has standing. His standing is sufficient to shield Count II from defendant's motion to dismiss. Where one plaintiff has standing, we do not need to consider the standing of other plaintiffs. See, e.g., Watt v. Energy Action Educational Foundation, 454 U.S. 151, 160 (1981). Accordingly, we deny defendants' motion to dismiss Count II for lack of standing.

III. Motion for a Preliminary Injunction

In ruling on plaintiff's motion for a preliminary injunction, it is well settled that we must consider certain established criteria, i.e., (1) the likelihood of plaintiff's success on the merits (2) the prospect of irreparable injury in the absence of relief (3) the potential harm to other interested parties, and (4) the public interest. Washington Metropolitan Area Transit Commission v. Holiday Tours, Inc., 559 F.2d 841, 842-43 (D.C. Cir. 1977). After weighing these factors, it is our judgment that a preliminary injunction should issue.

A. Likelihood of Success on the Merits

1. Failure to Review Land Status Actions in the Context of Land Use Planning

In considering the likelihood of success on the merits of plaintiff's several claims, we consider only two of the more important. The first is plaintiff's claim that defendants improperly terminated land classifications without first preparing Resource Management Plans. We hold that there is a likelihood that plaintiff will succeed on the merits.

Section 202 of the FLPMA, concerning classifications, directs the Secretary of the Interior to develop "land use plans," which establish the use of the public lands. 43 U.S.C. § 1712(a). Subsection (d) further provides:

> Any classification of public lands or any land use plan in effect on October 21, 1976, is subject to review in the land use planning process conducted under this section, and all public lands, regardless of classification, are subject to inclusion in any land use plan developed pursuant to this section. The Secretary may modify or terminate any such classification consistent with such land use plan.

42 U.S.C. § 1712(d)(emphasis supplied). Since 1976, defendants have terminated classifications affecting approximately 160 million acres of land. Yet, as plaintiff alleges and defendants do not deny, defendants have completed only a fraction of the land use plans for these areas. Thus, the vast majority of classification terminations have occurred outside the context of land use planning.

Defendants' reliance on "Management Framework Plans" (MFP's) is misplaced and does not satisfy the statutory expectations of "land use plans." As section 202(a) evidences, Congress sought a comprehensive system of land use plans. In its regulations, the Interior Department identifies these land use plans as "Resource Management Plans" (RMP's). 43 C.F.R. § 1601.0-5(k)(1984). It is true that Congress did not reject altogether existing MFP's. It recognized that RMP's would not be ready immediately, see 43 U.S.C. § 1732(a)(referring to land use plans "when they are available"), and it noted that BLM's pre-FLPMA system of land planning was consistent in general principles and practices with the objectives of the Act. H. Rep.

No. 1163, 94th Cong., 2d Sess. 5 (1976), reprinted in 1976 U.S. Code Cong. & Ad. News 6175, 6179.

However, looking at the matter in its totality, it is clear to us that Congress approved only temporary reliance on MFP's. It never authorized the vast scale of classification terminations without land use plans which we see today, more than nine years after the passage in 1976 of the FLPMA. MFP's may confirm to the general principles of the FLPMA, but they are not identical substitutes to RMP's. The land use plans Congress envisioned would modify existing plans in several aspects, including public participation. By terminating classifications for 160 million acres of land outside the context of land use planning, defendants have simply evaded the statute's directive that land use plans "shall be developed" and that the Secretary terminate classifications "consistent with such land use plans."

Defendants' obligation to review land status actions in the context of land use planning, however, does not extend beyond classification terminations. Plaintiff reads section 202(d) also to apply to withdrawal revocations, and it argues that defendants' failure to tie withdrawal revocations to land use planning thus violates the FLPMA. We disagree with plaintiff's reading of the statute. Classification terminations and withdrawal revocations are separate and distinct. Section 202(d) links land use planning to classification terminations. It never mentions withdrawal revocations, which appear in a separate section of the statute. See 43 U.S.C. § 1714. The history of classifications and withdrawals further contradicts plaintiff's equation of the two procedures. Classifications derive from the Classification and Multiple Use Act of 1964, Pub. L. No. 88-607, 78 Stat. 986, which expired in 1970. Withdrawals, on the other hand, date back to the nineteenth century and were executed by the Secretary largely without statutory guidance. Having developed along distinct paths, classification terminations and withdrawal revocations do not now merge in section 202(d), particularly since the statute separates the two terms. Therefore, plaintiff's likely success on its first claim applies only to defendants' terminations of land classifications.

2. Lack of Public Participation

Despite the statutory command, defendants have failed to provide for public participation in their withdrawal revocation decisions. Section 309(e) of the Act, 43 U.S.C. § 1739(e), requires the Secretary to establish procedures to give the public an opportunity "to comment upon the formulation of standards and criteria for, and to participate in, the preparation and execution of plans and programs for, and the management of, the public lands" (emphasis supplied). Defendants apparently have not permitted public input into their decisions to revoke land withdrawals. This lack of public participation both violates the text of the statute and frustrates Congress' intent that "[p]lanning decisions are to be made only after full opportunity for public involvement in the planning process." H. Rep. No. 1163 at 2. Defendants protest that they offer numerous avenues for public participation in land use planning. Yet the statute calls for participation also in the "management" of public lands. Withdrawal revocations fall into this "management" category. We find, therefore, that plaintiff is likely to succeed on this claim.

If plaintiff ultimately prevails on the two counts discussed, it could obtain the permanent injunction it seeks. Thus, in light of our conclusion that plaintiff will likely succeed on these counts, we do not need to reach the merits of plaintiff's other claims, including its claim that defendants failed to submit withdrawal recommendations to the President and the Congress as required by § 204(1) of the Act.

B. Irreparable Injury

We have no problem in holding that defendants' actions in lifting protective land restrictions will irreparably injure plaintiff's members unless enjoined. In ordering classification terminations and withdrawal revocations, defendants removed the only absolute shield against private exploitation of these federal lands. It is true, as defendants contend, that the classification terminations and withdrawal revocations do not immediately open the lands to mining and mineral leasing. They merely trigger the operation of certain discretionary land laws. Yet, as defendants also concede, some of the backup safeguards are optional. For example, the Secretary may choose whether or not to prepare an environmental impact assessment or statement. Transcript of September 16 Hearing at 54, 58. Moreover, neither the statutes nor the regulations can prohibit all development: they can only regulate its process.

If defendants have improperly terminated classifications or withdrawals to begin with, any allowance of mining or leasing can cause irreparable harm. Such activity can permanently destroy wildlife habitat, air and water quality, natural beauty and other environmental values. Defendants' suggestion that plaintiff's members can still hike, fish and otherwise enjoy these lands ignores both aesthetic interests and the process whereby a holder of a mining claim can gain the right to exclusive possession. Similarly, defendants' calculations limiting the acres that have actually been leased or mined[6] demonstrates nothing about the future impact of their actions. Without the preliminary injunction, defendants' termination of classifications and withdrawals could lead to the permanent loss of lands to public use and enjoyment -- an injury we feel would be irreparable.

C. Harm to Interested Parties

While we acknowledge that the preliminary injunction would harm third parties, we do not view this injuury as so serious as to outweigh the other factors supporting the injunction. The preliminary injunction would bar present holders of mining claims and mineral leases from developing their interests. To the extent they have made investments in obtaining their claims or leases or in beginning development, the delay in their investment return would represent financial injury. However, the preliminary injunction alone would not sever these parties' interests. If defendants prevail on the merits, it would only delay their realization. Furthermore, the injunction is not likely to reduce the ultimate value of the ore to be mined.

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[6] Defendants claim that only 845 acres are being mined. See Hearing Transcript at 55. As the discussion of harm to private parties indicates, this is an axe that cuts both ways.

D. The Public Interest

The public interest clearly favors granting the preliminary injunction. In section 102 of the FLPMA, Congress declared "it is the policy of the United States that -- (1) the public lands be retained in Federal ownership, unless as a result of the land use planning procedure provided for in this Act, it is determined that disposal of a particular parcel will serve the national interest." 43 U.S.C. § 1701(a)(1). This statement of policy, which provides the basis for plaintiff's claims for relief, underscores the public interest in ensuring orderly procedures for removing certain federal controls over government-owned lands. If defendants have violated the FLPMA in the process of terminating classifications and revoking withdrawals, the preliminary injunction will protect against further illegal actions pending resolution of the merits.

Furthermore, the preliminary injunction would serve the public by protecting the environment from any threat of permanent damage. Defendants' scenario of administrative havoc invokes a limited version of the public interest. While granting the preliminary injunction would inconvenience defendants and those parties holding specific interests in the lands at issue, denying the motion could ruin some of the country's great environmental resources -- and not just for now but for generations to come.

For these reasons, we grant the plaintiff's motion for a preliminary injunction.

Orders consistent with the foregoing have been entered this day.

J. H. Pratt
John H. Pratt
United States District Judge

Date: 4 Dec 85

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PUBLIC LANDS/ENERGY

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

NATIONAL WILDLIFE FEDERATION,
Plaintiff,
v.
ROBERT F. BURFORD, *et al.*,
Defendants.

Civil Action No. 85-2238

FILED
FEB 10 1986
JAMES F. DAVEY, Clerk

MEMORANDUM OPINION

Plaintiff National Wildlife Federation (NWF) has sued the Director of the Bureau of Land Management, the Secretary of the Interior and the Department of the Interior to achieve, *inter alia*, reinstatement of all land classifications and withdrawals in effect on January 1, 1981 until defendants take certain actions that plaintiff claims are required by law. This opinion addresses several pending motions.

Background

On December 4, 1985 we granted a preliminary injunction. The order included a prohibition against defendants' modifying, terminating, or altering any withdrawal, classification or other designation governing protection of the lands in the public domain that was in effect on January 1, 1981 or taking any action inconsistent with such withdrawals, classifications or other designations. It also enjoined all persons holding interests in the lands at issue from taking any action inconsistent with the present status of the lands.

Since our order of December 4, 1985, the parties have filed several motions. The federal defendants asked us to amend, reconsider and clarify the order. Defendant-intervenor Mountain States Legal Foundation (Mountain States) also moved for reconsideration and, in addition, for either reconsideration of our order denying its earlier motion to dismiss or, in the alternative, certification of the joinder issue to the Court of Appeals. Finally, plaintiff moved to consolidate a hearing on defendants' motions with a hearing on the merits.

We issued a stay of our preliminary injunction on December 16, 1985. On January 6, 1986, we heard arguments on defendants' motions. At the hearing, the federal defendants submitted a proposed order similar to plaintiff's suggested revision. We then asked the parties to confer and attempt to agree on a draft order. Plaintiff and the federal defendants now offer such an order but disagree on the interpretation of one of its provisions. Mountain States does not join in presenting this order but renews its earlier objections to the issuance of any injunction. We will discuss the various motions pending as well as detail our intention with respect to certain provisions of the new order.

Discussion

I. Motions for Reconsideration

At the outset we deny the federal defendants' request for reconsideration of our issuance of the preliminary injunction. They offer no new points in opposition, and we continue to adhere to our reasoning as set out in the December 4, 1985 Memorandum Opinion. Mountain States, on the other hand, does introduce several new arguments, which we will now address separately.

A. Lack of Injury to Plaintiff

Mountain States claims that since the lands at issue were subject to certain commercial exploitation even before defendants' classification terminations and withdrawal revocations, NWF can prove no injury.[1] It contends, in essence, that once commercial development was authorized, there could be no further injury to the environmental and aesthetic interests of plaintiff's members. This generalization sweeps too broadly. It fails to distinguish among types of commercial development. The fact that land was previously open to activities such as "dam construction, airports, hydroelectric power sites, and military reservations and target ranges," Mtn. States Reply at 3, hardly eliminates injury when the land is later made available for strip mining. Similarly, there is injury to plaintiff's members ability to use land, once open only to mineral leasing, that becomes subject, through operation of the mining laws, to fee interest transfer. Mountain States has not shown that the prior commercial uses of the lands are identical to those allowed since the withdrawals were revoked and the classifications terminated. We continue to find irreparable injury to plaintiff and reaffirm plaintiff's standing to bring this action.

[1] This contention, while challenging our jurisdiction to grant equitable relief, raises the issue of plaintiff's standing to sue.

B. Exhaustion

Mountain States also raises, for the first time, a claim that this court may not review plaintiff's claims since NWF has not exhausted its administrative remedies. Mountain States concedes that the withdrawal decisions represent final agency actions. Reply at 8 n.5. Thus, its exhaustion argument can focus only on the classification terminations.

Neither the Federal Land Policy and Management Act, 43 U.S.C. §§ 1701, *et seq*. (FLPMA), nor the applicable regulations foreclose this court's review of defendants' actions. The statute itself imposes no exhaustion requirement,[2] and in fact emphasizes Congress' desire to provide for judicial review of public land adjudication decisions. 43 U.S.C. § 1701(a)(6). Similarly, the regulations appear to vest a right of appeal only in an individual "party" to a discrete classification termination case. 43 C.F.R. § 4.410(a)(1984). NWF was not a "party" to any of defendants' termination decisions.

Mountain States argues that the regulations pertaining specifically to land classifications establish a right -- and a duty -- to seek administrative review. The regulations provide that classifications may be "changed" using specified procedures, 43 C.F.R. § 2461.4, which include a sixty-day delay after publication of the proposed classification, § 2461.2, and a thirty-day period after final publication for administrative review. § 2461.3. However, the procedures of Subpart 2461 relate only to the process of classifying public lands. They do not appear to address actions terminating such classifications. We do not share Mountain States' confidence that "changing" classifications necessarily includes terminating them. Furthermore, the government never published its proposed decisions, as required by 43 C.F.R. § 2461.2. Pl. Opp. to Mtn. States Motion at 7. It would be anomalous to impose a rigid exhaustion requirement on plaintiff where defendants have not followed or attempted to follow their own procedures.[3]

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[2] Mountain States alleges that 43 U.S.C. § 1704 mandates application of the review mechanism of the Administrative Procedure Act, 5 U.S.C. § 551, *et seq*. Reply at 10. We have read Title 43 but do not find a § 1704.

We note further that mere publication in the Federal Register may not alert even the most careful reader that defendants' classification terminations should inspire protest. As plaintiff noted earlier, the notices in the Federal Register do not indicate "whether environmental impact statements were prepared, whether land use plans supported the action, or whether the action had been sent to the President and Congress for review." Pl. Reply to Def. Opp. to Pl. Motion for Prelim. Inj. at 13. Unlike most challenges to agency action, plaintiff's complaint raises concerns which the agency's notice, on its face, may not have triggered or aroused.

Even if the regulations normally require administrative review, we do not feel that in the factual context of this case any exhaustion rule limits our jurisdiction. Exhaustion is a flexible requirement, one tailored to "an understanding of its purposes and of the particular administrative scheme involved." McKart v. United States, 395 U.S. 185, 193 (1969); accord Etelson v. Office of Personnel Management, 684 F.2d 918, 923 (D.C. Cir. 1982). As the Supreme Court has observed, the requirement of exhaustion allows the agency the opportunity to make a factual record, to exercise its discretion or to apply its expertise. It permits the agency to discover and correct its own errors. It prevents deliberate flouting of administrative processes. Finally, it avoids the necessity of premature judicial intervention. McKart, 395 U.S. at 194-95.

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[3] This failure to publish proposed termination actions also undermines Mountain States' reliance on 43 C.F.R. §§ 4.450 and 2450.4(a), since both sections assume that action has first been "proposed."

None of the underlying purposes of exhaustion apply here. The essence of plaintiff's claim is legal: the exercise of agency discretion and expertise and the development of a factual record would not be helpful or necessary to decide this legal issue. Plaintiff's unsuccessful attempts earlier to encourage defendants to reverse their present policies, the government's commitment to these policies as revealed in its vigorous defense, and the magnitude of decisions involved all indicate the futility of further administrative efforts and the inevitability of recourse to the courts. Finally, plaintiff's attempts to present its claims to the government through various means, Pl. Opp. at 8, demonstrate that while plaintiff did not seek full-scale administrative review, it did not "flout" the administrative process.

Thus finding that plaintiff need not have pursued administrative review and that an exhaustion prerequisite would serve no benefit here, we hold that plaintiff may seek judicial review.

C. Certification of the Joinder Question Under 28 U.S.C. § 1292(b)

Mountain States urges us either to reconsider our denial of its motion to dismiss for failure to join indispensible parties or to certify the issue to the Court of Appeals under 28 U.S.C. § 1292(b). We recognize Mountain States' legitimate concern for the interests of the absent parties. However, we see no reason to reverse our original ruling. The effective result of preventing plaintiff from litigating its claims were we to require joinder and the "public rights" exception to normal joinder rules combine to reinforce our holding that the absent parties are not "indispensible."

Further, we decline to certify the issue under § 1292(b). The statute permits certification when, on issuing an order, the district judge "shall be of the opinion that such an order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation." To begin with, we do not believe there is "substantial ground for difference of opinion" with our conclusion that joinder here is unnecessary. This case clearly fits the doctrine of the "public rights" exception, as established by the Supreme Court in National Licorice Co. v. NLRB, 309 U.S. 350 (1940), and developed in subsequent cases. Contrary to Mountain States' assertion, the potential adverse effect on the absent parties does not reflect a novel application of the doctrine. See, e.g., Jeffries v. Georgia Residential Finance Authority, 678 F.2d 919 (11th Cir. 1982), cert. denied, 459 U.S. 971 (1982); Swomley v. Watt, 526 F. Supp. 1271 (D.D.C. 1981); Natural Resources Defense Council v. Berklund, 458 F. Supp. 925 (D.D.C. 1978), aff'd, 609 F.2d 553 (D.C.Cir. 1979).

Mountain States argues that the "public rights" exception does not justify nonjoinder where plaintiff's requested relief would not just harm but would "invalidate the property rights" of the absent parties. Memo. in Support of Motion for Reconsideration at 30. Plaintiff, however, does not reques direct cancellation of any property rights. It seeks compliance with certain statutes and regulations. Other courts have applied the "public rights" exception where a plaintiff seeks similar compliance with the law, even though the immediate effect of plaintiff's request would be harm to third parties. See NRDC v. Berklund, 458 F. Supp. 925[4]; State of Delaware v. Bender, 370 F. Supp. 1193 (D. Del. 1974).

This case typifies a "public rights" proceeding. Plaintiff seeks to protect and enforce the public's right to full compliance with the laws governing management of the public lands. The fact that Mountain States claims also to represent an alternative public interest does not weaken the force of the "public rights" doctrine in this case. See Sierra Club v. Watt, 608 F. Supp. 305, 325 (E.D.Cal. 1985)(opponents of public interest plaintiffs included a public interest group with a viewpoint different from the plaintiffs'). In Sierra Club, several environmental organizations and the State of California challenged, inter alia, the Secretary of the Interior's exclusion of lands less than 5,000 acres from wilderness study area status. In holding that the "public interest" exception justified nonjoinder of the owners of mineral rights in those lands, the court concluded "[w]hatever the outer boundaries of the public interest exception, the instant case falls within the heart of it." 608 F. Supp. at 325. We believe that the facts of this case parallel those of Sierra Club and that this case also "falls within the heart" of the "public interest" exception.[5]

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[4] Mountain States attempts to distinguish NRDC v. Berklund on the ground that the relief eventually provided merely delayed the issuance of coal leases. Yet in discussing the joinder problem earlier in the opinion, Judge Green gave no indication that she was not considering the full relief plaintiff there sought, which included enjoining defendants from issuing the leases without recognizing the Secretary's discretion to reject lease applications on environmental grounds and without preparing an environmental impact statement.

Furthermore, an immediate appeal of the joinder issue is not likely to "materially advance the ultimate termination of the litigation." Today we reissue the preliminary injunction. Plaintiff, through its motion to consolidate, has evidenced its readiness to proceed to the permanent injunction proceeding. While defendants oppose this motion, we do not believe that final adjudication in this court represents a distant hope. An interlocutory appeal to the Court of Appeals, whose own overloaded docket precludes early resolution, would not "materially" advance termination of this case.

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[5] Naartex Consulting Corp. v. Watt, 722 F.2d 779 (D.C. Cir. 1984), cited by Mountain States, sheds no light on the present case. In Naartex, the plaintiff was seeking directly to cancel a contract involving the absent parties. Furthermore, it was suing on behalf of its own interests in obtaining the contract; it did not raise the issue of the public interest.

Having denied both motions for reconsideration of the preliminary injunction, we now turn to the order itself.

II. Preliminary Injunction Order

The preliminary injunction order accompanies this opinion. We here highlight certain aspects of that order.

First, the preliminary injunction order enjoins only the federal defendants. Third parties are not subject to its prohibitions.

Second, we do not intend by this order to overturn or in any way to upset fee interests. Parties, such as Summit County School District, we understand, which have fee interests in the lands at issue in this case are not affected by the prelimianry injunction.

Third, while the order specifically protects state selection and conveyance rights of the State of Alaska, the conveyance rights of Alaska natives, the continued construction of the All American Pipeline, and transactions or activity by Summit County School District. These are limited exclusions. Other third parties are not encouraged to seek exemption. We believe that Alaska, All American and the School District would be able to continue with their present plans regardless of the provisions in the order that mention them. In other words, these parties are already exempted under the general terms of the order. We name them merely out of an abundance of caution to emphasize that the injunction does not affect them.

Fourth, paragraph 3(a) refers to filing required to be made by holders of existing mining claims in order to preserve their claims. See 43 C.F.R. § 3833.2-1. It does not permit defendants to authorize mining activity.

Finally, the injunction prohibits the federal defendants from taking any action inconsistent with the specific restrictions of the withdrawals and classifications in effect on January 1, 1981. Thus, activities that would have been permitted on the affected public lands under the previous withdrawals or classifications prior to revocation or termination, may still take place.

The parties focus on this issue with respect to lands classified for multiple use management under the Classification and Multiple Use Act of 1964 (CMUA), 78 Stat. 986 (1964). In particular, they disagree over whether such lands would nonetheless be subject to "disposal." The CMUA required the Secretary of the Interior to classify the public lands for either "disposal" or "multiple use management." Although the Act expired in 1970, the savings provision in the FLPMA extended all existing classifications "until modified under the provisions of this Act, or other applicable laws." 43 U.S.C. § 1701. In challenging classification terminations, plaintiff ultimately seeks to reinstate prior classifications, developed pursuant to the CMUA, until defendants comply with their statutory obligations. Thus, the parties' dispute necessitates analysis of the classification scheme that the CMUA established.

We agree with plaintiff that the statute itself does not contemplate disposals of land when classified for multiple use management. The CMUA equates management for multiple use with retention. It commands the Secretary to decide "which lands shall be classified for disposal and which lands he considers to contain such values as to make them more suitable for retention in Federal ownership for interim management . . . ." 78 Stat. 986, § 1(b). The legislative history confirms this dichotomy between classifications for disposal on the one hand and classifications for retention under principles of multiple use management on the other. See S. Rep. No. 1506, 88th Cong., 2d Sess. at 2, reprinted in 1964 U.S. Code Cong. & Ad. News 3755, 3756 (Secretary to classify public lands "into at least two broad groups: those subject to disposal and those subject to retention").

In arguing that § 7 of the statute weakens this dichotomy, defendants read too much into the phrase "in accordance with this Act." We disagree that § 7 "obviously" allows the Secretary still to dispose of lands regardless of their classification. We read this provision as merely emphasizing that once the Secretary has classified lands for disposal "in accordance with this Act," nothing in the statute further hampers his power to effectuate the disposals.

By way of further elaboration, the applicable regulations on their face do not contradict the statutory distinction between retention for multiple use management and disposal. To begin with, the regulations also link multiple use management classifications with retention. See e.g., 43 C.F.R. § 2400.0-2 ("retention and management"); § 2400.0-3(j) ("(1) sold . . . or (2) retained, at least for the time being, in Federal ownership and managed . . . ."); § 2429.2 ("Lands may be classified for retention . . . if they are not suitable for disposal . . . ."). Furthermore, the segregation provisions can be read to harmonize with this two-part framework. Defendants stress the provision keeping open classified public lands to "as many forms of disposal as possible consistent with the purposes of the classification and the resource values of the land." 43 C.F.R. § 2440.2. Defendants suggest that land classified for multiple use management need not be segregated from all forms of disposal and that disposal is proper under such a classification.

This argument, which we suspect reflects much of plaintiff's concern, assumes that "disposal" is necessarily inconsistent with retention in federal ownership. However, the regulations reveal that the term "disposal" covers more than sale or other methods of relinguishing title. A lease, for example, also represents a form of disposal. See 43 C.F.R. § 2440.1 ("settlement, location, sale, selection, entry, lease, or other forms of disposal" (emphasis added)). A lease might be "consistent with the purposes" of a particular classification for retention for multiple use management. A sale would not. Section 2440.2 thus may simply allow some forms of "disposal" on retained lands which do not undermine Federal ownership.

review. Our order therefore enjoins defendants from "taking any action inconsistent with the specific restrictions of a withdrawal or classification in effect on January 1, 1981." (emphasis added). If the specific restrictions of a particular classification condoned some form of "disposal," the terms of the classification again apply.

III. Motion to Consolidate

Plaintiff's motion, filed shortly before the hearing, is now moot. We intend to allow the parties to present their respective cases at a permanent injunction hearing to be held as soon as possible. The attached preliminary injunction order sets a status call to determine the schedule for remaining discovery and any motions that will follow.

Orders consistent with this opinion have been entered this day.

J.H. Pratt

John H. Pratt
United States District Judge

February 10, 1986

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

NATIONAL WILDLIFE FEDERATION,)
)
Plaintiff,)
)
v.) Civil Action No. 85-2238
)
ROBERT F. BURFORD, et al.,)
)
Defendants.)

FILED
FEB [illegible] 1986
JAMES [illegible], Clerk

ORDER

Upon consideration of plaintiff's motion for a preliminary injunction, defendants' opposition and plaintiff's reply, and

Finding that a preliminary injunction is necessary to preserve the relative positions of the parties until this case can be decided on the merits, and further

Finding that the plaintiff has shown a substantial likelihood of success on the merits, and further

Finding that plaintiff will suffer irreparable harm if the requested injunction is not issued, and further

Finding that issuance of the requested injunction would serve the public interest, it is by the court this 16th day of February, 1986,

ORDERED that plaintiff's motion for a preliminary injunction is granted, and it is

ORDERED that

(1) Defendants, their officers, agents, servants,

employees, and attorneys and those persons in active concert or participation with them are hereby enjoined from:

(a) modifying, terminating or revoking, in full or in part, under the Federal Land Policy and Management Act (FLPMA), any withdrawal or classification that was in effect on January 1, 1981; or

(b) taking any action inconsistent with the specific restrictions of a withdrawal or classification in effect on January 1, 1981, including, but not limited to, the issuance of leases, the sale, exchange or disposal of land or interests in land, the granting of rights-of-way, or the approval of any plan of operations;

(2) Terminations or modifications under the FLPMA of classifications and revocations or modifications under the FLPMA of withdrawals occurring since January 1, 1981, are hereby suspended until further action by this court;

(3) Nothing in this order shall be construed to prohibit or affect:

(a) The acceptance by the Department of the Interior of filings required to be made by Federal law;

(b) State selection and conveyance rights afforded to the State of Alaska by § 906 of the Alaska National Interest Lands Conservation Act, 94 Stat. 2371, or

(c) Native conveyance rights afforded to Alaskan natives by the Alaska Native Claims Settlement Act, 85 Stat. 688, and the Alaska National Interest Lands Conservation Act, 94 Stat. 2371;

(d) The construction of the All American Pipeline project pursuant to a right-of-way grant issued by the Bureau of Land Management on May 17, 1985;

(e) Any transctions or other activity on the Frisco Administrative Site No. 2 S1/2SE1/4, Section 26, Township 5 South, Range 78 West of the Sixth Principal Meridian in Summit County, Colorado.

(4) Defendants shall forthwith cause a copy of this order to be published in the Federal Register and posted and made available to the public in defendants' offices in any State where this order might affect any person.

(5) Pursuant to Rule 65(c) of the Federal Rules of Civil Procedure, plaintiff shall post security for this injunction in the amount of one hundred dollars ($100.00).

(6) Nothing in this order shall be construed to affect any party's right to appeal this order.

(7) This preliminary injunction shall take effect upon publication in the Federal Register or on the fifth day after this order is filed, whichever day occurs sooner, and it is

FURTHER ORDERED that the parties shall appear for a status call on February 19, 1986 at 9:30 a.m., Courtroom No. 12, United States Courthouse.

J. H. Pratt

John H. Pratt
United States District Judge

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

NATIONAL WILDLIFE FEDERATION,)
Plaintiff,)
v.) Civil Action No. 85-2238
ROBERT F. BURFORD, et al.,)
Defendants.)

FILED
FEB 10 1986
JAMES F. DAVEY, Clerk

ORDER

Upon consideration of defendants' motions for an extension of time to file their oppositions to plaintiff's motion to consolidate filed January 2, 1986, and in view of our denial today of plaintiff's motion, it is by the court this 10th day of February, 1986,

ORDERED that defendants' motion is denied as moot.

J. H. Pratt
John H. Pratt
United States District Judge

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

NATIONAL WILDLIFE FEDERATION,)
)
Plaintiff,)
)
v.) Civil Action No. 85-2238
)
ROBERT F. BURFORD, et al.,)
)
Defendants.)

FILED
FEB 10 1986
JAMES F. DAVEY, Clerk

ORDER

Upon consideration of plaintiff's motion to consolidate the hearing on the preliminary injunction with a hearing on the merits and in view of the fact that a hearing on the preliminary injunction was held on January 6, 1986, it is by the court this 10th day of February, 1986,

ORDERED that plaintiff's motion is denied as moot.

J. H. Pratt
John H. Pratt
United States District Judge

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

NATIONAL WILDLIFE FEDERATION,)
Plaintiff,)
v.) Civil Action No. 85-2238
ROBERT F. BURFORD, *et al.*,)
Defendants.)

FILED
FEB 10 1986
JAMES F. DAVEY, Clerk

ORDER

Upon consideration of defendants' motion for leave to file a response to the alternative motion of Mountain States Legal Foundation for certification under 28 U.S.C. § 1292(b), it is by the court this 10th day of February, 1986,

ORDERED that defendants' motion for leave to file a response is granted.

J. H. Pratt
John H. Pratt
United States District Judge

CHANGING LAND WITHDRAWAL STATUS

Mr. **Yates**. Does that injunction affect third parties?

Mr. **Burford**. Yes. Oh, it's already revoked.

Mr. **Yates**. So it does not affect third parties.

Mr. **Burford**. No, the new orders don't.

Mr. **Yates**. Is the Secretary of the Interior required to submit a report to Congress on the changing of withdrawal status?

Mr. **Burford**. Those withdrawals go through the Secretary to OMB and then to Congress.

Mr. **Yates**. Has any such report been submitted on any of the changes since January 1st, 1981?

Mr. **Burford**. I don't think any have gone to the President.

Mr. **Yates**. What is your estimate of when this law case will be completed or settled?

Mr. **Burford**. We certainly don't know.

Mr. **Yates**. What is the effect of the injunction on your current work in your withdrawal review program?

Mr. **Burford**. It has ground to a halt.

Mr. **Yates**. Will that be true in 1987, too, do you think?

Mr. **Burford**. We hope it is settled before then. We are going to proceed with the processing, but we are not going to send anything over to OMB.

Mr. **Yates**. Are you looking for an out-of-court settlement on it?

Mr. **Burford**. We are still in discussion with the plaintiffs, but I had an estimate made of what it would cost to comply with their request, and it was close to $2 million. So that negotiation is still right there.

FOREST MANAGEMENT FUNDING

Mr. **Yates**. You are reducing forest management funding by $1.6 million, and sales by 32 million board feet in 1987. Was this the subject of Mr. AuCoin's questions today?

Mr. **Burford**. No.

Mr. **Yates**. Oh, he was on the O&C. What type of an analysis did you do in order to decide which areas should be deleted or reduced?

Mr. **Burford**. The areas that are least cost efficient, and where we have sales that cost more to put up than we get out of them.

Mr. **Yates**. How come you can do that and the Forest Service can't do it? They tell us that they can't judge that cost. They say that the multi-purpose provision of the law requires them to take care of recreation, to take care of roads, to take care of wildlife habitat, to take care of four or five different things, so that the cost of cutting and the amount you get can't be estimated, but you are able to do it.

Mr. **Burford**. Well, I think we have a different system.

Mr. **Yates**. Apparently you do, but why can't they adopt your system then? If you can identify the costs, I would think that they would be blazing a trail to your office to find out what it was, or to the contrary, maybe they would rather not identify the costs, because if they identify the costs and don't cut in the areas where they lose money, they are going to stop a lot of cutting then, aren't they?

Mr. **Burford**. I am not familiar enough with——

Mr. **Yates**. We are a little more familiar with it. I think there are three regions as I remember it.

At any rate, maybe you ought to put a description of how you arrived at your costs into the record and maybe we can ask them about it. I am sure Chief Peterson will be delighted to know.

[The information follows:]

Cost vs. Income of Timber Sales

We did not analyze the cost of income derived on an individual sale basis, but compared the cost of the forest management program in each State to the income derived by that program.

The table below displays that comparison for the Public Domain Commercial Timber Sale Programs proposed for elimination.

COST/INCOME COMPARISON [1]

	Cost total $'s	Income total $'s
Alaska	$94,000	$625
Colorado	581,000	43,500
Idaho [2]	213,000	130,844
Montana	441,000	133,790
Wyoming	361,000	113,073
Total	1,690,000	421,832

[1] Based on FY 1985 data.

[2] Excludes Coeur d'Alene.

TIMBER SALES

Mr. **Burford**. Chief Peterson will probably be calling on me after this hearing. There is somebody already telephoning him, telling him that I am getting him into trouble.

Mr. **Yates**. Oh, you are not getting him into trouble, but think of what you are doing for the country.

Mr. **Burford**. The general timber that we sell——

Mr. **Yates**. Maybe you and Chief Peterson should be a part of the exchange.

Mr. **Burford**. I am not sure you will get the Forest Service to take a crusty ex-rancher as their new chief, but I will be glad to consider it.

Mr. **Yates**. What data do you have that show the commission of previous sales in these areas? Do you have that? Do they habitually lose money?

Mr. **Baier**. In the public domain, most of them lose money, except for northern Idaho.

Mr. **Yates**. What will be the volume of sales you estimate in 1987?

Mr. **Burford**. Dollar value.

Mr. **Yates**. Volume of sales. You have got an estimate for 1987, I take it?

Mr. **Burford**. No, I don't think we have a figure on that. That is very difficult to estimate. Prices have been going up and down pretty erratically here recently.

WILD HORSE AND BURRO MANAGEMENT

Mr. **Yates**. Wild horses and burros, you want to have a level of 25,000 animals. How do you arrive at that being the appropriate level?

Mr. **Burford**. Our land use plans show that.

Mr. **Yates**. Do you want to put in the record as to how you arrived at a level of 25,000 as being the correct amount?

Mr. **Burford**. Yes.

[The information follows:]

Wild Horse and Burro Management Level

In conjuction with the resource management planning process, decisions are made on appropriate management levels for each herd area. These decisions are based on planning criteria specific to each planning area, including the expressed desires of the participating public. In most cases, available forage and other resources must be allocated among competing consumptive uses, including wildlife and livestock. With plans for 120 of the 141 resource areas complete, we project that the aggregate appropriate management level for wild horses and burros Bureauwide will be between 25,000 and 30,000 animals. This is not a carrying capacity, but rather an allocated portion of the total carrying capacity available for consumptive use.

COMPLAINTS REGARDING WILD HORSES AND BURROS

Mr. **Yates**. I assume that the land will sustain that number and no more?

Mr. **Burford**. That is the number that we think is the appropriate level. It has been arrived at, we have almost completed the land use planning in those areas.

Mr. **Yates**. Do you get any complaints about the horses and burros?

Mr. **Burford**. Yes.

Mr. **Yates**. Many?

Mr. **Burford**. Lots of them.

Mr. **Yates**. Who do you get them from?

Mr. **Burford**. We get them from wildlife enthusiasts; that is, the burros especially drive the desert bighorns away from the water holes.

Mr. **Yates**. You mean they are tougher than the bighorns?

Mr. **Burford**. Oh, yes.

Mr. **Yates**. Are they?

Mr. **Burford**. Burros? They are meaner than hell.

Mr. **Yates**. I thought you used burros as pack animals on your trails.

Mr. **Burford**. No.

Mr. **Yates**. Can't you train them?

Mr. **Burford**. A burro is really not trainable. If you want a pack animal, you use a mule.

Mr. **Yates**. Isn't he a cousin to a mule?

Mr. **Burford**. No, a mule is a cross between a burro and a horse, and they are a hybrid and not capable of reproduction; that is, mules aren't.

Mr. **Yates**. Burros are, though?

Mr. **Burford**. Burros are prolific.

Mr. **Yates**. You set priorities for removal. Have you removed any animals from the most sensitive ranges?

Mr. **Burford**. Yes, we have tried to hit the worst places over the last two years, where populations were greatest and where the ranges are suffering the most.

GRAZING FEE DETERMINATION

Mr. **Yates**. Grazing fees now. I know that is your favorite subject. They are frozen at $1.35?

Mr. **Burford**. Yes.

Mr. **Yates**. Was this your recommendation to the Secretary?

Mr. **Burford**. My recommendation to the Secretary was to keep the formula the way it was. The request to freeze or to issue the executive orders came from a group of western Senators and Congressmen, directly to the President. The President acted on it.

Mr. **Yates**. There have been big increases from your $1.35. Last year in our report on our appropriations bill, we said, "The Public Rangelands Improvement Act mandated a study of grazing fees. That study has been completed, analyzes the fair market value of grazing on public rangelands at $5.20 per animal unit month for the lowest price areas"—lowest price areas—"and yet the current fee charged by BLM and Forest Service is $1.32." Then we compare it to what BIA does. "BIA charges grazing fees of $8 to $9. Fish and Wildlife Service's grazing fees are $3.60, but are as high as $10.51 in some areas."

None of your areas go up to $10.51, do they?

Mr. **Burford**. No.

Mr. **Yates**. Are there no areas you have that are excellent grazing areas?

Mr. **Burford**. There might be some higher fees in some of those grazing lands, for example, the McGregor Range.

Mr. **Yates**. Do you charge more than $1.35 in some of your places?

Mr. **Burford**. It is under a different law than FLPMA. Those are Bankhead-Jones Act lands.

Mr. **Yates**. Why do you charge higher ones there than under FLPMA?

Mr. **Burford**. The law says that.

Mr. **Yates**. In other words, if we were to vacate that law, then you could charge whatever you wanted to charge. Does that mean you would move to the Bankhead-Jones levels? What was the law, Bankhead-Jones? What were the levels established in that?

Mr. **Burford**. I do not remember. I think it is a competitive bid.

Mr. **Yates**. Competitive bid?

Mr. **Burford**. Yes.

Mr. **Yates**. And what do competitive bids bring?

Mr. **Burford**. I don't have that information with me, but I can get it for you.

Mr. **Yates**. How about the fellow behind you? He seems to know?

Mr. **Baier**. No, sir.

Mr. **Burford**. It says from 1977 to 1986, there were six annual increases in grazing bids on the McGregor Range.

Mr. **Yates**. From what to what?

Mr. **Burford**. Ranging from 35 percent to 28 percent. The fee dropped in 1985 from $8.11 per AUM to $3.46 per AUM.

Mr. Yates. That is $3.46 per AUM.

Mr. Burford. And in addition, several allotments were vacant this year as well as other years. This roller coaster management is bad for the whole economy and the rangeland. Permittees have no incentive to invest time and money in range improvements without assurances of tenure and the whole economy has no predictable tax base from year to year, but instead is forced to rely upon boom and business similar to the oil patches.

Mr. Yates. What do I understand the study came up with, a fee of $3.60 per AUM under the Bankhead-Jones Act?

Mr. Burford. This was a competitive bid on the McGregor Range in New Mexico.

GRAZING LAND IN NEW MEXICO

Mr. Yates. How good is that grazing land?

Mr. Burford. That is some of the best grazing land in the State of New Mexico.

Mr. Yates. It is. Does the State of New Mexico have good grazing land?

Mr. Burford. In some places, yes.

Mr. Yates. Not many?

Mr. Burford. There is quite a bit of good range in New Mexico.

Mr. Yates. What do they get for private lands grazing rentals in New Mexico?

Mr. Burford. That would be similar to private lands.

Mr. Yates. What was the range in McGregor? You dropped from something to $3.60. What did it drop from?

Mr. Burford. Eight dollars something to $3.60.

Mr. Yates. From $8 to $3.60?

Mr. Burford. From $8.11 to $3.48.

Mr. Yates. BLM actually was getting $8 per AUM then for awhile, wasn't it?

Mr. Burford. On the McGregor Range.

Mr. Yates. On the McGregor Range. Do you have any other lands in the BLM systems that are as good as the McGregor Range?

Mr. Burford. Yes, there are some that are probably as good.

Mr. Yates. Then those lands should go for the same amount of money, shouldn't they? I would think so, wouldn't you? You have been in the grazing business for a long time. If you had land to rent, grazing land, you wouldn't want to be bound by $1.35, would you?

Mr. Burford. It depends on where the land is.

Mr. Yates. I know. It would have to be the worst land for you to get $1.35, wouldn't it?

Mr. Burford. It would be poorer range, yes.

Mr. Yates. It would be pretty poor land, and if the land were like the McGregor Range, you wouldn't take $1.35 for it, would you?

Mr. Burford. Oh, I imagine I would take the market, which seems to be $3-something.

Mr. Yates. $3.60. Is it $3.70 now?

Mr. Burford. $3.40, or something like that.

Mr. YATES. So, then, if I understand your reply to my question, all that the committee has to do is just put a prohibition against following the limitation in FLPMA, and say that the lands shall be at competitive market levels, which is what this administration wants anyway, isn't it? This administration is also looking to see what the market does as being the test. Would you favor that?

Mr. BURFORD. I think you would be in violation of the Taylor Grazing Act, also, in that respect.

Mr. YATES. We can cancel that, too.

Mr. BURFORD. You can cancel FLPMA and the Taylor Grazing Act just in one day?

Mr. YATES. Just for the grazing fee to let the market play. Wouldn't you prefer that? Wouldn't you like to have the marketplace?

Mr. BURFORD. In this particular instance, I don't think so.

Mr. YATES. Why not?

Mr. BURFORD. I have to get along with some of those Senators that signed that letter. One of them was Jim McClure.

Mr. YATES. You mean Jim McClure is opposed to the market rates?

Mr. BURFORD. You will have to ask Senator McClure that.

Mr. YATES. We may do that in the conference.

Mr. BURFORD. I imagine you will have quite a bit of conversation in the conference.

Mr. YATES. Do you want to put the report into the record at this point? It is not confidential, is it?

Mr. BAIER. It is not a report.

Mr. YATES. What is it, a memo? It is somebody's analysis, isn't it, of the grazing situation on non-FLPMA lands? Is there any reason it shouldn't go in the record?

Mr. BAIER. It is special work that we shouldn't bring out yet. It is not quite finished yet.

Mr. BURFORD. If it is formalized, we will send it up.

Mr. YATES. We will take it as is, if you want us to.

Mr. BURFORD. I think we would prefer to keep it. The Taylor Grazing Act, which you rather cavalierly dismissed a minute ago, does require that you have base property or some type of base in order to hold the permit, and that the grazing fees should be administered to stabilize the western range livestock economy, and that is a part of that law.

Mr. YATES. You mean that cancels out the market as a basis for adjusting the fees?

Mr. BURFORD. I think that that was considered by the President when he made that decision.

GRAZING SUBLEASES

Mr. YATES. Tell us about grazing subleases. What is the situation on that?

Mr. BURFORD. We investigated, I think, around 632.

Mr. YATES. Subleases?

Mr. BURFORD. Supposed subleases, and we found 12 that were suspicious, if I remember correctly.

Mr. YATES. Suspicious of what?

Mr. **Burford**. That looked as if they might be illegal subleases. We investigated them and prosecuted in four instances. Of 633 subleases, 12 have been confirmed and action taken to collect approximately $11,200 in difference in trespass damages. Only 12 more are suspected at this time, and these are being further investigated. These are 12 more under investigation.

Mr. **Yates**. Why are these suspected or being investigated? What is it that you fear?

Mr. **Burford**. That somebody has subleased only public land, and has not leased the base property, and that they have leased it for more money than the grazing fee, which is illegal.

Mr. **Yates**. But your regulations still allow a landowner to lease his land and transfer grazing to the lessee?

Mr. **Burford**. Yes, if they lease the base property or the base water, BLM will approve a transfer of the permits.

Mr. **Yates**. They will automatically?

Mr. **Burford**. You have to go in and discuss your intent with the area manager, but generally it is allowed.

Mr. **Yates**. You can do it for whatever amount of money he can get then?

Mr. **Burford**. Well, no, that is illegal, because of a provision of the language.

Mr. **Yates**. He can lease it only for what he pays then?

Mr. **Burford**. Yes.

Mr. **Yates**. And he makes no profit by leasing his land, his permit land?

Mr. **Burford**. No. Well, he might make a profit on the permit. He might make a profit on the land that is base property, if he has got hay-producing land as his base, those irrigated acres might produce enough hay that there would be a base lease on that ground, which might be in the form of a share of the crop, or it might be in the form of cash lease. He might have some income from that, but it is illegal to make a profit on the lease of Government land.

I think in some instances, we have found some of those, and did collect some money. If they don't have a real lease on the base property, the livestock that goes on public land is, then, in trespass, and we have collected. I think, it was $125,000 in trespass fees last year.

Mr. **Yates**. Here is what Secretary Hodel told us about subleasing. This is what he told us earlier this year, on February 19: "Mr. Yates. What about the question of grazing subleasing? We had a provision in the bill that provided for the lessee turning over funds of the rental you serviced from a sublessee.

"Secretary Hodel. I don't know what has been done.

"Mr. Yates. Do you still permit subleases?

"Secretary Hodel. I don't know.

"Mr. Yates. We will ask BLM about that."

Don't you talk to Secretary Hodel?

Mr. **Burford**. Yes.

Mr. **Yates**. Secretary Hodel——

Mr. **Burford**. I listen to him mostly.

Mr. **Yates**. Mr. Hodel said, "It would seem to me in principle we ought to allow subleasing, and we ought to share in the economy's proceeds.

"Mr. Yates. Why should you allow subleasing?

"Secretary Hodel. That would get you to the market quicker than any other single thing, Mr. Chairman.

"Mr. Yates. Yes, but it doesn't benefit the United States.

"Secretary Hodel. It would if we shared in the net proceeds, in the surplus of the proceeds."

Mr. Yates then says, "But you wouldn't have subleasing, then, would you?"

Why would anybody sublease if he didn't make any money on it?

Mr. **Burford**. Well, there could be scenarios where somebody wanted to lease a ranch to their children or something and retire from business. That might happen.

Mr. **Yates**. Then that is the subleasing——

Mr. **Burford**. But that is a legal lease of the base property, and a transfer of the permit to whoever owns the cattle and leases the ranch.

Mr. **Yates**. Then Secretary Hodel says, "I don't know, I will have to inquire on the question of subleasing.

"Mr. Yates. We ought to have it, shouldn't we?

"Secretary Hodel. We ought to.

"Mr. Yates. We ought to provide for sharing in the subleasing, shouldn't we?

"Secretary Hodel. Yes. I think if you are going to permit subleasing, you ought to share in the economy's return to the lessee, and I think they all have it, because he has no incentive."

Do we get a portion of it now, of any sublease funds?

Mr. **Burford**. No. If somebody legally leases their base property, whatever it is, and in some instances it is water, the permit is then transferred to the holder of the lease. He is then recognized as having commensurate property, and the bills from the United States are sent to him.

Mr. **Yates**. Suppose he leases his base property, and his permitted property together to a sublessee. He can charge whatever he can get, can't he?

Mr. **Burford**. Yes.

Mr. **Yates**. And all he would pay the Federal Government would be $1.35 per AUM, right?

Mr. **Burford**. Yes.

Mr. **Yates**. Under his original lease. And if that land were as good as—what ranch was it, the McGregor Ranch?

Mr. **Burford**. The McGregor Range it is called.

Mr. **Yates**. The land was as good as the land on the McGregor Range, he could make himself some money, couldn't he, especially if he leased it at $8 per AUM?

Mr. **Burford**. Which I don't think they would do today.

STATUS OF GRAZING ON BLM LANDS

Mr. **Yates**. Is grazing increasing or decreasing on BLM land?

Mr. **Burford**. I think it is down some, and it is probably because the amount of forage available is increasing, but there has been a decline in the number of animals that are on public range. If you look over the long-term period, Mr. Yates, I think the number of permitted animals was at its peak in about 1946. That was because during World War II, they took all restraints off of permits, and I think since 1946 to the present day, because of new range assessments and actions taken by permittees, I think we are down to about half that amount, in terms of the number of AUM's permitted today. This is my impression at least, and I will have to get some figures to back this up, if you would like some—

Mr. **Yates**. All right.

[The information follows:]

GRAZING USE AND RECEIPT HISTORY 1980—1985

	Grazing fee/AUM	AUM's authorized (thousands)	Gross grazing receipts (thousands)
1980	$2.36	10,321	$24,573
1981	2.31	10.483	24,900
1982	1.86	10,657	20,879
1983	1.40	10,336	16,699
1984	1.37	11,067	15,015
1985	1.35	11,218	14,756

CONDITION OF GRAZING LAND

Mr. **Burford**. There is a little bit less use. There is more selective non-use today than there was in the last year or so. This is because of the very poor economic conditions of the range livestock industry.

Mr. **Yates**. But what about the condition of the land itself?

Mr. **Burford**. The condition of the land is much better today than it was at the time of the enactment of the Taylor Grazing Act and the enactment of FLPMA.

Mr. **Yates**. Would land conditions improve faster with less grazing?

Mr. **Burford**. Not necessarily.

Mr. **Yates**. What would make it improve faster?

Mr. **Burford**. A good many of the ranges that the bureau administers may not improve much at all. I mean, in some areas there is very little chance, because of low rainfall, to make improvements, such as introduction of different species of grass. In some instances where there is more rainfall, you can improve ranges by seeding some different types of grasses.

There has been quite a bit of experimentation done by some state universities on development of some new hybrids that do well in areas of less rainfall.

WATER SOURCES

Mr. **Yates**. Let's talk about soil, water and air management. Your budget reduces the amount of work on identifying water sources for subsequent water rights claims from 6,200 to 3,000. Why is that? And what effect will that eventually have on water use on BLM lands?

Mr. **Burford**. I don't think it is going to have much of an effect on public lands.

Mr. **Yates**. Why wouldn't we want to identify water sources for water rights' claims? I would think with water being as important as it is, why wouldn't you try to do more work finding out about it?

Mr. **Burford**. We have made most of the findings on what is in the West that is necessary for multiple use management of public lands, and we have filed with the states for the water on the lands. In a lot of those areas, there is only very limited water available, and a lot of it has been filed on already by the Bureau or the permittee.

Mr. **Yates**. Are you still going to file 5,000 water rights' claims in your base program?

Mr. **Burford**. There are only so many of them left to be quantified, and that accounts for the downturn. If you once get it quantified, that means it is over with then.

Mr. **Yates**. If you reduce your source identification work, that is going to reduce the number of claims you can file, isn't it?

Mr. **Burford**. I think the sources have mainly been identified.

Mr. **Yates**. Page BLM 95, the middle of the page. It says this: "In response to water rights adjudications in various Western States, BLM will be quantifying and identifying associated public land management uses on 6,200 water sources. This information will be used to file an estimated 5,000 water rights claims in compliance with State law where adjudication of water for beneficial uses is being done."

Mr. **Burford**. The inventory of these water sources should be completed shortly. That is because we have identified the sources.

Mr. **Yates**. Do you have a backlog for which claims have not been filed?

Mr. **Burford**. We have some. They still need to be filed, I think.

Mr. **Yates**. How big a backlog is it?

Mr. **Burford**. I think that this statement that we are going to file an estimated 5,000 water rights claims in state court takes care of the backlog.

WATERSHED ACTIVITY PLANS AND IMPROVEMENTS

Mr. **Yates**. In fiscal year 1987, this current budget, your watershed activity plans and watershed improvements are both reduced at least 50 percent for 1986; and improvements are only projected at 27 percent of fiscal year 1985 levels. What is the long-range effect of reducing these improvements? That is going to hurt your range, isn't it?

Mr. **Burford**. No.

Mr. **Yates**. Tell me why.

Mr. **Burford**. Because plans have already been identified and done on most of the range. In the most critical areas, they have already been taken care of.

HAZARDOUS WASTE SITES

Mr. **Yates**. What about the cleanup of hazardous waste sites? Are you doing any in fiscal year 1987? Are you doing any in 1986?

Mr. **Burford**. We have a program for identification, trying to find out responsible parties, and get some of them done. We have some sites that are on EPA's hazardous site list. I don't remember exactly how many. That is one active site, Mr. Parker informs me; three sites are on the list.

We are continuing to look at sites and identify possible sources of contamination. I know you remember that this is a new program that we started about three or four years ago, because I got concerned about illegal dumping, midnight dumping. We have just come through—we had one problem with a site in New Mexico just recently, and we are going to fence it off and shut it down. It was an R&PP site that was supposed to be used only for nonhazardous material. We found that they had dumped some toxic materials in there.

We have a report, a preliminary report on that. We did work with the government of the State of New Mexico, and we shut that particular site down.

Mr. **Yates**. When do you plan a clean up on your three Superfund sites?

Mr. **Burford**. I think that that will be taken care of by EPA according to their priorities, not according to mine.

Mr. **Yates**. Do you have any ideas as to when?

Mr. **Burford**. I don't believe we do.

Mr. **Yates**. Can you check with EPA and put that in the record for us?

Mr. **Burford**. Yes.

[The information follows:]

Cleanup of Superfund Sites

The Environmental Protection Agency (EPA) has not scheduled cleanup on any of the three Superfund sites on public lands. One site, Silver Creek Tailings in Utah, has not been officially listed by EPA on the National Priority List. At the Atlas Asbestos Mine Site in California, EPA has delayed for over a year the beginning of the Remedial Investigation/Feasibility Study (RI/FS). At the Bunker Hill site in Idaho, the State government and the potentially responsible parties continue to negotiate, an activity that prevents EPA's scheduling of the cleanup.

Mr. **Burford**. We are on a feasibility study on the Atlas Asbestos Site, and the preliminary report is that there is no imminent and substantial threat to human health because it is in an unpopulated area. When they get the remedial action feasibility study done, we will take further action.

I think we have identified—only one of them as permitted for treatment, storage and disposal of hazardous wastes under RCRA; and that is at a mountain near the main campus of New Mexico State University. We have several other sites that we have identified as possibly hazardous.

I think public lands need to be considered some way in funding for cleanup. I think that the responsibility for making certain that cleanup takes place, and making certain that it is done in a correct manner, needs to be done in consultation with EPA because they have the expertise; and I don't think we should try to duplicate it.

We do work with them in the field.

Mr. **Yates**. What is the effect of the reduction on the number of habitat projects developed and maintained in 1987? You are reducing that. I should ask you a blanket question, Mr. Burford. Does this budget permit you to operate BLM in a way that permits it to be operated efficiently, to protect the range and all of the assets belonging to the Federal Government?

Mr. **Burford**. We think we can, yes.

Mr. **Yates**. You think you can?

Mr. **Burford**. Yes.

Mr. **Yates**. We are losing some money in the process.

Mr. **Burford**. Yes.

GRAMM-RUDMAN REDUCTION

Mr. **Yates**. You were hurt by Gramm-Rudman, the 4.3 percent cut?

Mr. **Burford**. Yes, it was 4.3 percent.

Mr. **Yates**. How badly were you hurt by that?

Mr. **Hildebeidel**. In MLR it was a little over $17 million. That is our main account here.

Mr. **Yates**. What happened? Did you wince or did it knock you off your feet?

Mr. **Hildebeidel**. Well, it certainly tightened things up a little bit.

I think compared to fiscal year 1985, it kept us just about at the same level.

Mr. **Yates**. Then 1987 puts you below those levels?

Mr. **Hildebeidel**. We are about $2 million, $2.5 million below.

Mr. **Yates**. How many such reductions can you take? Does anybody want to answer that?

Mr. **Hildebeidel**. I assume that was a rhetorical question.

Mr. **Yates**. Well, now, it is not rhetorical at all. You are having less and less money to operate. That is why I ask Mr. Burford the question. You lost $17 million right off the bat by the first Gramm-Rudman cut. Your budget has been going down, hasn't it?

Mr. **Burford**. Yes.

Mr. **Yates**. Right along?

Mr. **Burford**. We have had a fairly level budget in the past three or four years. It has gone up some.

Mr. **Hildebeidel**. It has maintained fairly level since about 1982.

Mr. **Yates**. You haven't had any additional duties given to you in the last four years, nothing significant?

Mr. **Burford**. We have these hazardous materials sites.

Mr. **Yates**. How about oil and gas inspection?

Mr. **Burford**. We got that, but we got some people and some money with that, when we merged with MMS. That was an additional responsibility, but we got some additional money.

Mr. **Yates**. We are going to have questions for the record. We will submit them to you. We ask you to answer them for the record.

Mr. **Burford**. Do you have a timeframe on that?

Mr. **Yates**. We have to mark up in a couple of weeks, so we, if possible, we would like to have them back within the next four or five days.

Mr. **Burford**. I think we can get them quicker than that.

Mr. **Yates**. Fine.

Thank you very much.

[Questions and answers submitted for the record follow:]

QUESTIONS SUBMITTED BY THE HONORABLE LES AUCOIN

SEEDLING SOURCE

Question: What portion of the BLM's reforestation seedlings are acquired from private tree farms, and what percent are acquired through federal and private nurseries?

Answer: Approximately one third is obtained from Federal nurseries, one third from State nurseries, and one third from private sources.

LAND ACQUISITION

Question: If the BLM were to have funds available for land acquisition, would acquisition of inholdings in the Owyhee Wild and Scenic River corridor be a high priority?

Answer: Acquisition of parcels in areas previously authorized by Congress and for which the BLM has an existing investment commitment are probably the highest priority for land acquisitions. However, of the potential new projects identified, the Owyhee Wild and Scenic River corridor inholdings would be of high priority because of the need to maintain the wild and scenic wilderness values and because of indications that subdividing for home sites is a potential use of private land within the Wild and Scenic River Corridor.

Question: What is the estimated need for acquisition funds, consistent with the Owyhee management plan?

Answer: Needs identified in the National Wild River Management Plan for the Owyhee River are estimated at $852,000 to acquire 2,250 acres in fee and 750 acres of scenic easements in Oregon. An additional 856 acres in fee and one access easement in Idaho have also been identified in management plans.

Question: Are there willing sellers in the area?

Answer: At the present time sellers are willing. However, no offers have been made or accepted.

ADDITIONAL COMMITTEE QUESTIONS

VOLUNTEERS AND PRIVATE INVESTMENT

Question: Your budget justification projects a "continuing emphasis on volunteerism and private investments on the public lands." (p. 3) Provide for the record an estimate of the number of volunteers and equivalent workyears which are provided, by program, for FY 1985, FY 1986, and FY 1987.

Answer:

Volunteers Program
Bureau of Land Management
FY 1985

Program	Number	Workyears
Recreation	870	37
Wildlife	821	35
Forestry	773	33
Range	386	17
Cultural	338	15
Watershed	193	8
Wilderness	97	4
Minerals	242	10
Operations	290	12
Administration	435	19
Other	386	16
Total	4,831	206

In the last several years, growth of the Bureau's Volunteers for the Public Lands program has averaged approximately 25 percent a year — both in the number of volunteers enrolled and the equivalent workyears contributed. If this rate of growth is maintained, the number of volunteers could increase to approximately 6,000 in FY 1986 and 7,500 in FY 1987. On the same assumption, the workyear equivalents of hours of volunteer service could increase to approximately 250 in FY 1986 and 320 in FY 1987.

In recent years the distribution of volunteer work among benefiting Bureau activities or programs has varied little from that reported for FY 1985, and we have no reason to expect that the distribution of volunteer work among benefiting activities in FY 1986 and FY 1987 will be significantly different.

Question: Provide for the record, the magnitude of private investments by program for FY 1985, FY 1986, and FY 1987. Provide for the record an estimate of the value of State and local government contributions by program in FY 1985, FY 1986, and FY 1987.

Answer: The Bureau's financial management system does not differentiate between contributions (investments) from private sources and those from State and local government. Total contributions in FY 1985 amounted to approximately $3.6 million. Of this amount, about $1.7 million was contributed by the State of California Off-Highway Vehicle License ("green sticker") program. These funds were used by BLM for the development, maintenance and operation of benefiting projects on BLM-administered public lands in California. Funds are contributed to BLM for such diverse projects as range improvements, ORV recreation, wildlife habitat improvement and cadastral survey. It is anticipated that contributions for FY 1986 and FY 1987 will be in the neighborhood of those experienced in FY 1985, and that the California "green sticker" program will comprise a significant portion of these contributions.

RECEIPTS

Question: Your budget (p. 13) shows payments to States in FY 1985 of $10,915,000 to Alaska from the National Petroleum Reserve - Alaska. What is the nature of the FY 1985 receipts?

Answer: Alaska receives 50 percent of the receipts from sales, bonuses, royalties and rentals resulting from the leasing of oil and gas in the National Petroleum Reserve - Alaska (NPR-A) for use in planning, construction, maintenance, and operation of essential public facilities and other provisions of public service. FY 1985 payments to Alaska represent one-half of the rental and bonus payments made by lessees; no royalties were collected because none of the leases are currently in production. Distribution of receipts is made in November and June each year in amounts based upon collections during the preceding six-month period.

Question: Receipts paid to the O&C counties in FY 1987 are to be net of Federal costs. What are the gross receipts, the Federal costs, and the net receipts anticipated in FY 1987?

Answer:

FY 1987

	Millions of Dollars
Gross Receipts	$154.4
Associated Federal Costs	50.0
Net Receipts	$104.4
Payments to O&C Counties (FY 1986)	$ 52.2

KGS DETERMINATIONS

Question: Last year you testified (p. 232) that a private contractor (Keplinger Technology Consultants) was studying drainage and KGS problems of BLM. What actions, if any, are you taking as a result of the study?

Answer: Keplinger reported that the Bureau needs to improve the quality of its data base, and to establish nationwide standards for interpreting KGS's and making drainage determinations. We have established task forces to develop implementation plans for all recommendations and hope to have instructional manuals completed this year which will establish nationwide standards.

Question: What areas are not being included in the lottery at this time?

Answer: We have excluded areas in the Overthrust Belt of Wyoming from leasing under the simultaneous oil and gas (SIMO) program. Currently, about 500,000 acres within the Overthrust Belt which could potentially be offered through the SIMO program are being excluded. Additional lands which are currently excluded from SIMO leasing are located in Ft. Chaffee, Arkansas and Eglin Air Force Base, Florida.

OIL AND GAS - INDIAN LEASES

Question: Last year you testified (p. 87-92) that your inspection program on Indian leases was not up to par. How many leases do you monitor? How many of those get the required annual inspection?

Answer: As of September 30, 1985, there were approximately 4,000 Indian leases with actual or allocated production. Indian leases are inspected on the same basis and with the same frequency as leases on Federal lands. Currently, we attempt to inspect about 90 percent of all high priority oil and gas leases annually. The requested increase will permit inspection of all high priority sites.

Question: How much of the $1,070,000 increase for inspection and enforcement (p. 35) is for Indian agreements?

Answer: We have not asked for additional moneys for Indian agreements. The FY 1986 appropriation provides adequate funding for BLM's portion of these agreements, and we believe that funding this program element in FY 1987 at the FY 1986 level will provide sufficient funds for additional agreements. We are requesting an additional $800,000 for Indian lease diligence reviews.

OIL AND GAS - ALL LEASES

Question: What are the main features of your newly proposed rules for oil and gas operations? How are they different than your previous rules which were suspended in part in March 1985?

Answer: Revisions of the current rules for oil and gas operations cover five major topics: violations, site security, notice provisions, review and appeal procedures, and terminology. The proposed rules focus on serious violations of the regulations or lease terms. The previous rules included a complex penalty point system which tended to overemphasize minor violations leading to unreasonable assessments has been eliminated. Site security requirements have been simplified to make compliance easier and eliminate seals where production is controlled elsewhere. Notice provisions and review/appeal procedures for acts of noncompliance have been revised. The rulemaking also responds to industry concerns that the present rules use vague and unclear terminology by adding additional definitions of terms.

Question: When are they expected to be final?

Answer: The public comment period ended April 15, 1986. In addition to oral comments expressed at 8 public hearings on the rulemaking, 109 written comments were received. We have begun the evaluation of these comments as part of the process of drafting the final rules. The rules will be developed by a task force of field officials and will be coordinated with the Bureau of Indian Affairs, Minerals Management Service and the Office of Hearing and Appeals prior to publication of the final rulemaking by the end of FY 1986.

Question: On October 18, 1985, BLM issued an interim policy on production verification. Is this system functioning now?

Answer: Yes. We have initiated the pilot program.

Question: How many inspections are anticipated?

Answer: We anticipate completing about 250 production verification inspections during the current fiscal year.

Question: Has this procedure been coordinated with MMS?

Answer: Yes. Whenever a BLM-conducted production verification inspection reveals a potential discrepancy, the MMS is contacted; and additional correlations between production and disposition are made. We understand that some revenue has already been generated as a result of these efforts.

Question: In March of 1985, the Bureau changed the procedures for determination of drainage and compensatory royalties on so-called "older cases". What was the basic change?

Answer: The current BLM Manual and Handbook provide, with respect to older cases, that a protective well is not required if the operator can demonstrate to our satisfaction that it would not be an economic venture. However, whether such a well would be economic or not, compensatory royalty is assessed unless the operator can demonstrate to our satisfaction that geologic conditions at depth preclude drainage from occurring.

The revision to the Manual/Handbook provides an alternative means to avoid the assessment of compensatory royalty. Specifically, where an operator cannot demonstrate to our satisfaction that subsurface geologic conditions preclude drainage, compensatory royalty is assessed unless the operator can demonstrate to our satisfaction that there has never been a point in time between the onset of production from the offending well until the present at which it would have been possible to have drilled an economic, protective well. This policy change is applied to all pending older cases as well as those recently identified.

Question: On what basis was it decided to change the procedure?

Answer: The change was made in order to avoid, when possible, the assessment of compensatory royalty in oil and gas drainage cases when the drilling of a protective well would not be economic. Previously, we did not consider economics in making demands for drilling or compensatory royalty assessments.

This change is consistent with the ruling in the Ptsaynski Decision (63 IBLA 240) of April 15, 1982. That decision requires the Bureau to consider whether a prudent operator would drill additional wells or be responsible for payment of compensatory royalty.

Question: What effect has this had on your overall drainage case workload?

Answer: The policy revision has had no substantial effect on drainage case workload; it simply changed the benchmark used to identify potential drainage cases that merit further technical review and possible drainage prosecution. It will reduce slightly the number of cases that would have proceeded to a determination of actual drainage.

Question: Has there been a decrease in compensatory royalties on "older cases"?

Answer: Current reporting requirements do not include this information.

Question: Your justification (p. 36) shows a caseload of 4,000 drainage reviews. From that workload, how many additional wells would, on average, be drilled to compensate for drainage?

Answer: The Bureau reviews every well that is successfully completed to ensure that it is not draining Federal resources. Of these 4,000 reviews, approximately 90 percent will be initially screened and determined to have no potential for draining Federal resources largely on the basis of location . For the remaining 400 wells we will do more detailed analysis. Past experience indicates that only about 40 wells will continue to be reviewed after a second screening and that actual drainage will be determined to be occurring in about 5 to 10 cases. Once a determination is made and appeals are exhausted, some lessees drill an offsetting well while others pay compensatory royalties. The new policy will reduce slightly the need for these actions.

Question: On average, how much in compensatory royalties would be realized on an annual basis?

Answer: During calendar year 1985, a total of 9 compensatory royalty assessments were made, for which an estimated $209,000 in compensatory royalty is expected to be received over the estimated producing life of the offending wells (5-10 years).

Question: Although you stated in last year's testimony that no cases of theft have been discovered (p. 164), our investigative staff found that some thefts are being reported from the Farmington, New Mexico, office. Have you investigated to ascertain whether this could be a significant problem?

Answer: We are instituting a pilot program to ensure proper follow through and investigation of theft allegations. Farmington is one of the two offices where this program will be established. The Bureau's district and area offices would be the primary source for the identification of such problems. We believe the Farmington problem is relatively minor. Even so, the pilot program will provide the information needed to confirm or refute the allegation of theft.

Question: What would have to be done to become aware of the size of the problem? For example, what is done at the Farmington office?

Answer: The Farmington Office is collecting reports of suspected thefts from producers. Local law enforcement officials are provided copies of these reports so that local follow up can be made. In addition, BLM law enforcement officials, as well as other Federal officials when appropriate, are advised.

Question: How will the Secretary's policy of allowing stripper wells to be shut-in be implemented? What kind of a response are you expecting from lessees?

Answer: Instruction Memorandum No. 86-409 (copy attached) details the procedures to be followed. Briefly, lessees will be required to submit an application for suspension of production in accordance with 43 CFR 3103.4-2. The applicant must certify that the lease is capable of production in paying quantities but that failure to suspend production will lead to premature abandonment. Approval will be given to the applicant in writing. The suspension will terminate automatically if the operator resumes production, or the suspension will terminate on March 31, 1987, unless it is determined at an earlier date that production is economically feasible.

For Indian leases (which may contain different lease provisions), BLM will coordinate with BIA to obtain Indian mineral owner concurrence.

Minimum royalties will continue to be paid, and reporting requirements to both BLM and MMS will remain in force.

We expect lessees to support the suspension. In some States considerable interest in such suspensions was expressed prior to implementation of this policy.

Question: What is the status of your proposed changes to bonding rules for oil, gas, and geothermal leases?

Answer: A task force was formed in January 1986 to explore options for changing bonding requirements.

Question: What major changes are being proposed?

Answer: At this time the task force is still considering various possible changes which would involve reducing costs to both the Government and operators and reducing risks to the Government. We are also investigating alternatives to use of bonds, such as pools and surety funds. Under any system, we want to ensure that the changes will not serve as a barrier to the entry of this industry by potential developers.

Question: What is the reaction of lessees?

Answer: We are planning on holding discussions with industry in June 1986. The industry was highly critical of our proposal last year which ultimately resulted in the formation of the task force now investigating alternatives.

Question: Will this have any effect on existing leases?

Answer: Regardless of changes made, all lessees will be required to meet the requirements of any new rules and regulations.

Question: What unrecovered costs are you experiencing on an annual basis with regard to failure to close down operations properly?

Answer: There is a potential to incur significant costs from improper abandonment. At this time the only unrecovered costs are those for inspections and reinspections which are part of our inspection and enforcement program.

Question: For the record, please provide for the last three years for which you have data:

a) number of competitive, over-the-counter, and lottery leases
b) receipts from each of these types of leases (exclusive of production)
c) wells on each type of lease
d) acreage on each type of lease
e) production from each type of lease

Answer: We do not maintain well information on the basis of lease type. There are approximately 46,000 usable wells (including service wells) on Federal lands.

We do not maintain revenue figures in a manner which distinguishes rental between competitive, over-the-counter, and simultaneous (SIMO) leases. We can, however, provide derived rental figures for noncompetitive and competitive leases as shown in the following table.

Likewise, we can only show production as a function of competitive and noncompetitive leases; and that, too, is displayed in the following table.

	SIMO			OTC			COMPETITIVE		
	1983	1984	1985	1983	1984	1985	1983	1984	1985
Number of Leases Issued	8,555	4,265	6,600	4,785	2,419	1,900	527	879	1,206
Acres Leased (millions)	8.8	5.5	10.3	9.9	4.7	3.2	.1	.4	.4
Cumulative Acres Leased (EOY) (millions)	N/A	53.2	56.1	N/A	75.0	61.9	N/A	2.1	2.7

	NONCOMPETITIVE			COMPETITIVE		
	1983	1984	1985	1983	1984	1985
Bonus ($ million)	N/A	N/A	N/A	31.2	49.5	39.7
Rents ($ million)	132.3	99.3	116.5	3.0	3.6	3.6
Filing Fees ($ million)	87.4	-6.5	27.8	N/A	N/A	N/A
Production						
Oil (million bbl)	124	126	146	27	26	30
Gas (million MCF)	938	1,081	1,031	37	32	31

COAL-LEASING

Question: On February 21, 1986, Secretary Hodel approved resumption of a new coal leasing program. Please explain the major revisions to the program as a result of both the Linowes Commission and OTA reports.

Answer: In response to recommendations from the Linowes Commission, the coal program has been modified to incorporate improvements in market analysis, tract appraisal methodology, lease sale procedures, and data adequacy and security. Other changes in the areas of land use planning, public participation, and environmental screenings have been adopted as a result of the OTA report. These changes are described below in the context of the major components of the leasing process.

Land Use Planning -- A call for coal and other resource information was added to the land use planning process so that as much information as possible on all resources will be available. The Department also reinstated the public comment period on the application of the unsuitability criteria. As a result of the Secretary's decisions, reclaimability will be given increased attention in the coal development potential screen; and several other factors will be given heightened consideration at the multiple use tradeoff phase of land use planning (i.e., by regulation, land managers are to give increased emphasis to wetlands, sole-source aquifers, riparian habitat, lands adjacent to air quality Class I PSD areas, and Federal lands on which coal mining may impact units of the National Park System in making multiple use tradeoffs). The Secretary also decided that new regional activity planning will be initiated only in those areas where resource management plans (RMP's) have been completed.

Regional Activity Planning -- Rather than initiating this part of the leasing process with expressions of leasing interest, the process will start with a regional coal team (RCT) meeting to review a summary of land use plans (called a coal plan element summary) and a long-range market analysis. The review of this information will enable the RCT to determine whether there is a need to initiate the activity planning process. Once expressions of leasing interest are received, a new set of screening procedures will be used to evaluate those expressions to aid in the tract delineation process. In addition, tract definitions have been developed for use throughout the process; and factors have been developed to try to enhance competition for Federal coal tracts.

To improve the adequacy of the data in the leasing process, the RCT's will use science advisors and a BLM review council. These groups will assess the adequacy of coal and other resource data for tract delineation, impact assessment, and tract evaluation (i.e., determination of fair market value).

In recommending a regional leasing level, the RCT's will use a regional market analysis and will also consider other factors that could impact the level of leasing. This recommendation will be a rebuttable presumption (i.e., the Secretary will accept the recommendation except in the case of overriding national interests or if the Secretary accepts the recommendation of a State Governor that is different from the RCT's recommendation). The Secretary will inform the RCT and the public of the decision and the reasons therefore.

Before making its final recommendation on tracts to be offered for lease sale and a lease sale schedule, the RCT will review a current market and tract marketability analysis along with the EIS analysis and public comment on the sale schedule. The RCT's lease sale schedule recommendation will also be a rebuttable presumption. The Secretary will inform the RCT and the public of the sale schedule decision through a Federal Register notice. The RCT and the Department will review the current market and tract marketability analysis if the regional sale is scheduled later than 120 days after the Secretary's regional lease sale decision. This is to ensure that the market analysis is still current and that there is a need to conduct the sale.

Sale Procedures -- The sale notice announcing the specific tracts to be offered for lease will state that the minimum bid for the tracts will be at least $100 per acre or its equivalent in cents per ton. Minimum bids may be established on a regional basis and may also be higher than $100 per acre.

BLM has also strengthened its appraisal procedures. After intensive public review, an appraisal guide to explain the procedures and to standardize the appraisal process nationwide has been prepared. The revised procedures also contain specific steps to enhance the protection of proprietary information.

A sale panel composed of economists, mining engineers, mineral appraisers, a BLM management official, and a BLM Washington Office official will request and evaluate the post-sale bid analysis performed by the regional evaluation team. The sale panel will recommend to the appropriate BLM State Director whether to accept or reject the high bids. A modified version of the regional sale panel will be used for lease by application sales.

Public Participation — Throughout the process, the public will have ample opportunity to participate. A minimum of 30 days will be provided for public comment on material prepared for RCT consideration. Forty-five days will be provided for review of the coal plan element summary and long-range market analysis prepared for the initial RCT meeting. All RCT meetings will be open to the public, and a comment period will be provided. In addition, the RCT's are encouraged to use such mechanisms as newsletters and work groups to inform and involve the public in the leasing process.

Question: How long is the process leading up to the leasing of coal tracts? What are the major steps?

Answer: We anticipate that the majority of competitive Federal coal leasing will be accomplished through the regional coal activity planning process. From the beginning of a new round of coal activity planning, we estimate that it will take up to 34 months to hold the first coal lease sale using the revised coal program procedures. It will be an additional 2 to 3 months before a lease could actually be issued.

The major steps in the regional coal activity planning process are:

1. Call for expressions of leasing interest: This involves the publication of a Federal Register notice requesting parties to identify specific parcels of Federal coal that they are interested in leasing.

2. Tract delineation and ranking and selection of a leasing level: Based on expressions of interest received, an interdisciplinary team delineates specific tracts of coal for further study. The RCT ranks each tract and selects various combinations of tracts for study in the regional coal EIS. One group of tracts, selected as the proposed action, falls within the regional leasing level range that is established by the Secretary.

3. Regional coal EIS: A detailed and comprehensive assessment of the cumulative local environmental impacts of the proposed leasing action and the alternatives is prepared and made available for public review.

4. Sale decision: Based on the RCT's recommendation, the Secretary decides to hold a lease sale and which tracts to offer.

5. Lease sale: A sale notice is published announcing the date, time and location of the lease sale, descriptions of the tracts to be offered, and the bid requirements. Sealed bids are opened at the time and place noted in the sale notice.

6. Post-sale evaluation: A team of technical specialists (the regional evaluation team) evaluates qualifying bids to determine if they represent fair market value for the tract. The team's findings are forwarded to the BLM State Director through the Sale Panel, which recommends acceptance or rejection of qualifying bids.

7. Consultation with the Attorney General: The BLM State Director submits information on the bidders' coal holdings and requests the Attorney General's comments concerning possible conflicts under the anti-trust laws.

8. Issue lease/reject bid: The BLM State Director issues a coal lease if the high bid represents fair market value and there are no other reasons that would compel him to reject the bid.

Question: What are your current plans with regard to leasing? What regions are under active study? Which regions contemplate the first sales? When?

Answer: Regional coal activity planning was underway in the Powder River, Green River-Hams Fork, Fort Union, San Juan River, and Uinta-Southwestern Utah Regions and the Southern Appalachian - Alabama Subregion when most forms of Federal coal leasing were suspended in 1984. Planning in each of these six regions will be reviewed by the regional coal team (RCT) that guides Federal coal leasing in the region to determine if the suspended planning should be resumed. The RCT's decision to restart the plan will depend upon current market conditions and the adequacy of resource data needed to support the planning effort. We anticipate that suspended planning in one or more of the regions will be resumed this year, but the next regional lease sales are not expected before late 1987. Since individual RCT's will guide the resumption and pace of activity planning in the regions, we cannot forecast with any certainty which region will hold the first lease sale.

Question: Please explain how, in the face of a new leasing program, you can reduce coal activities by $5,583,000 in FY 1987? (p. 46)

Answer: Based on the Secretary's program decisions, the leasing process will be slowed down. The program can, therefore, be reduced as a result of a decrease in regional activity planning and EIS's expected to be completed and in the number of preference right lease applications (PRLA's) to be processed. Demand for emergency leases and other lease applications, exploration licenses/permits, and classification evaluations is also expected to decrease.

Regional coal activity planning and EIS's that were suspended when the coal program review began are expected to be completed during 1987 in those regions where activity planning is resumed. New rounds of regional coal activity planning will not begin before 1988. Regional lease sales occurring in 1987 and 1988 will be based on completed activity planning and EIS's. These sales should meet the projected demand for regional coal leasing during this period.

PRLA processing in 1987 will concentrate on those applications for which processing is requested by the applicant. In this way, action will be taken on those applications with the most immediate prospects for development should the leases be issued.

Question: Isn't most of this decrease in work areas associated with leasing activities?

Answer: Yes. This decrease reflects the shift in emphasis from leasing activities to operations as an increasing number of existing leases are being developed and/or are coming due for readjustment while the demand for new leases has decreased. Furthermore, much of the new leasing in the next few years will come from sales in regions where much of the work was done in 1982 and 1983 before regional activity planning was suspended in 1984. While this work will have to be reviewed and updated before new regional lease sale decisions are made, this is not expected to create a large workload.

Question: The decrease shows a large reduction in inventory. (p. 46) Of what does the inventory consist? Why would it be decreasing?

Answer: The term "inventory" encompasses costs of gathering, compiling, and analyzing baseline resource data, including all costs of base mapping and high altitude photography attributable to the particular subactivity. In the case of coal, inventory work consists of gathering coal-related resource data during land use planning and of tract delineation and environmental analysis data during activity planning.

For coal leasing actions projected for FY 1987, regional baseline data have already been gathered, compiled, and analyzed. The anticipated decrease in the frequency of offering regional coal tracts for lease sale in the future, due to reduced industry interest in new regional leasing and the existing excess productive capability, results in a decreased need for inventory work related to coal leasing in FY 1987.

Question: How much drilling is expected in FY 1986? In FY 1987?

Answer: The 1986 coal drilling effort is taking place in 4 States. Total expenditures will be $390,800. The expenditures in each individual State are:

Utah	$ 88,000
Montana	22,400
Wyoming	134,000
New Mexico	146,400
Total	$390,800

No Federal coal drilling is planned for 1987. The tracts being studied in current rounds of regional activity planning for leasing in the next regional lease sales were sufficiently drilled in 1985 and 1986. Additional drilling will be undertaken when new tracts are delineated to support sales that may be held in future rounds of regional activity planning.

Question: Why is preference right lease application workload being drastically reduced?

Answer: The decrease in workload associated with processing coal preference right lease applications (PRLA's) is based on the Department's decision to process coal PRLA's on an as-requested basis. Very few preference right lease applicants have recently requested expeditious processing of their coal PRLA's. The Department believes that it is inappropriate now to seek funding to process applications that are not actively being sought by the applicants and that are not likely to be developed in the near term.

The Department is negotiating with several environmental groups on certain aspects of its processing of the 113 remaining coal PRLA's. Once agreement is reached, processing of the PRLA's will resume in response to requests by preference right lease applicants.

Question: You are eliminating 40 FTE's in FY 1987. What kinds of personnel are being reduced? Will personnel actually be terminated?

Answer: The exact positions or occupational specialties which will be affected in achieving a reduction of 40 FTE in FY 1987 cannot be identified in advance. In some cases, the coal program constitutes just one of several elements of an employee's workload which, if eliminated, could be replaced with duties in support of other programs thus reducing the FTE expended on the coal program without reducing the workforce. In other cases, personnel working full time on the coal program might have to be placed in other positions or relocated when coal program workload is reduced. At this time, we do not anticipate the necessity of terminating the employment of any personnel as a result of this FTE reduction.

Question: What are your projections of the amount of coal to be leased in future years by the regional programs, by PRLAs, and by emergency or other leasing by application?

Answer: The projections for coal to be leased for FY 1987 and FY 1988 are 735 M/T and 900 M/T respectively. Of the tonnage to be leased in FY 1987, about 350 M/T would be leased competitively (through regional lease sales and lease-by-application sales), and the remainder would be leased through preference right lease application (PRLA) processing. Of the FY 1988 coal tonnage to be leased, about 550 M/T would be leased competitively, and the remainder would be leased through PRLA's.

These projections are very rough estimates developed by the Minerals Management Service to estimate mineral revenues (bonuses, rentals, and royalties) for future years. The actual tonnages leased will be determined by RCT's acting upon advice from the public and industry, as recommended to the Secretary of the Interior for decision. Additional leasing will occur as an outgrowth of PRLA processing and lease by application.

Question: What Environmental Impact Statements are in process in FY 1985, FY 1986, and FY 1987 (p. 46)

Coal EIS's in Progress in FY 1985

Regional Coal EIS's

Green River-Hams Fork (DEIS) Powder River (DEIS)	Final EIS's delayed pending completion of the coal program review.
Uinta-Southwestern Utah (FEIS) San Juan River (FEIS) Southern Appalachian (FEIS)	Subject to review/updating after completion of the coal program review.

Preference Right Lease Application (PRLA) EIS's

James Creek (DEIS) Northwest Colorado (DEIS) Powder River (DEIS)	Final EIS's delayed pending completion of negotiations on PRLA processing policies and procedures with several environmental organizations.

Coal EIS's in Progress in FY 1986

All FY 1985 regional and PRLA EIS's carry over. There are no new coal EIS starts.

Coal EIS's in Progress in 1987

Five FY 1986 carry-over regional coal EIS's will be updated and filed as final documents with the Environmental Protection Agency (EPA), provided the regional coal teams elect to resume regional activity planning suspended in 1984.

Final EIS's for the 3 1986 carry-over PRLA EIS's will be filed with EPA.

One new PRLA EIS (Woodson PRLA, Montana) will be started.

COAL-OPERATIONS

Question: Your justifications (p. 44) indicate an increased number of leases falling into the category subject to the Federal Coal Leasing Act Amendments (FCLAA) of 1976 in both 1986 and 1987. What does this add to your operations workload?

Answer: BLM's coal operations workload has increased during the past several years because of the increased number of leases now subject, or soon to be subject, to the Federal Coal Leasing Amendments Act of 1976. This increase has primarily occurred in the field offices of BLM's major coal State Offices (Colorado, Montana, New Mexico, Utah, and Wyoming) and is attributed to increased diligent development and continued operation monitoring and enforcement including advance royalty payments, production verification activities, and the Bureau's Federal coal reserve study.

Question: Once a lease falls into this category, what are the diligence requirements?

Answer: Once a Federal coal lease becomes subject to diligent development, that lease must produce at least one percent of the recoverable reserves within a 10-year period. Upon achieving this production level, the lease must produce at least one percent of the recoverable reserves every year thereafter. If this annual production level for continued operation is not achieved, advance royalty must be paid to make up the difference, as if the lease were producing in continued operation. Advance royalty cannot be paid for more than 10 years.

Question: You show 450 leases subject to FCLAA in 1987. Are there any other coal leases outstanding?

Answer: Of the existing 615 Federal coal leases, 450 will be subject to FCLAA by the end of FY 1987. The majority of the other 165 leases will come due for readjustment before the end of FY 1991 (51 during FY 1988; 33 during FY 1989; 27 during 1990; and 15 during FY 1991). By the end of FY 1996, all Federal coal leases will be subject to FCLAA.

Question: In the FY 1986 Continuing Resolution, Congress extended the diligence requirement date for coal leases until December 31, 1986. What alternatives to the current law have been investigated by the Department?

Answer: In the FY 1986 Continuing Resolution, Congress extended by 4 months the deadline for imposing the FCLAA, Section 3 lessee-qualification prohibition. Congress, however, did not extend the 10-year holding period for lessee qualification. Section 3 is a lessee-qualification provision, not a lease-specific diligence requirement. The alternatives to the current law that have been investigated by the Department are: 1) the potential to limit the prohibition to Federal coal leases only; and 2) to allow payment of a holding fee beyond the tenth holding year to allow lessees to qualify. The Department has also investigated a similar holding fee for compliance with Section 7 of FCLAA's lease-specific diligence at the end of 10 years, in lieu of coal production.

Question: What kind of holding fee plan is your preferred option? Why?

Answer: The preferred holding fee plan could feature the following:

- An ad valorem advance royalty using the same rate as the production royalty rate (12.5% surface, 8% deep are standard).
- The price used is the average coal price in the region adjusted for BTU content.
- The required production rate is a constant fraction of total recoverable reserves for the lease and represents a minimum for royalty due, regardless of credits from advance royalty paid.
- The advance royalty paid is recoverable against future production royalty due from that lease.

The reasons for this preference are:

- Using an ad valorem system with the production royalty rate and the average regional coal price serves several functions. The lease specified production royalty rate already adjusts for the cost differences between surface and underground coal and for underground coal leased with a rate less than 8%. Use of the average regional price updated at least annually automatically adjusts for market changes. If the market is up the price will go up, automatically increasing the holding cost to reflect the higher probability of marketing the coal. Using regional prices adjusts for regional differences.

- Using a constant minimum production requirement as opposed to an escalating requirement serves two purposes. One is simplicity. Adding one more factor that changes each year on the lease anniversary date is unnecessary and is a potential source of error. Secondly, using a constant minimum production requirement will allow the lessee to deduct the creditable advance royalty payments when paid rather than when credited or via cost depletion. Otherwise the holding fee would have to be lowered. In addition, the minimum will provide a more constant stream of royalties to the States.

- The use of creditable advance royalties presents a distinct advantage. It provides a greater incentive to produce without altering the overall economic development profile of leases. This is because we can charge a higher holding fee than with a non-creditable system. The creditable fee is not simply a sunk cost since the lessee has a vested interest in the potential credits. This also provides a greater penalty to the lessee who never develops a lease as opposed to a lessee who is simply delayed in development. This is obviously a significant incentive for development.

- The percentage of recoverable reserves required is an amount that provides an incentive to produce without being prohibitively expensive. Assuming that the advance minimum royalty can be deducted when paid, our analysis demonstrates that .3% works well in all regions. If this assumption is false or if the tax laws are changed to delay deduction of these holding fees, the percentage may need to be lowered.

Question: Would your alternative allow a lessee to terminate an existing lease after the ten year holding period and then bid on additional leases? Can a lessee do that now?

Answer: Our alternative would allow a lessee to relinquish (not terminate) a noncomplying lease after the 10-year holding period and then bid on additional leases. Under existing law, a lessee can also relinquish a lease after the 10-year holding period and then bid on additional leases as long as the lessee is in compliance with the previous lease terms and conditions.

Question: What evidence do you have that a 10 year diligence provision is too long? (Your analysis says 12 to 15 years may be more realistic.)

Answer: As the Department testified on November 6, 1985, the time needed to enter a coal sales contract, obtain needed permits for opening a mine, and develop and bring a mine into production suggests that a 12 to 15-year diligence period may be more realistic (statement of J. Steven Griles, Deputy Assistant Secretary, Land and Minerals Management, before the Subcommittee on Natural Resources, United States Senate, on S. 372, S. 570, S. 913, and S. 946).

Question: How many existing producing leases began commercial production within that time period versus the number that took longer than 10 years?

Answer: The Department does not "track" the production history for pre-FCLAA leases that are not yet subject to FCLAA. For leases subject to FCLAA (e.g., by issuance, readjustment, or modification), the 10-year diligent development period has not yet ended for any Federal coal lease. Several of the leases subject to FCLAA are currently producing, although the Department cannot yet make a determination as to what lessees, if any, will fail to achieve diligent development within the lease-specific 10-year timeframe or, because of the soft market, allow the leases to terminate rather than produce when no sales contracts are available.

Question: Doesn't the holding fee option provide sufficient flexibility to keep the diligence period at 10 years?

Answer: The holding fee option provides sufficient flexibility to retain the 10-year diligent development period provided the fee can be paid in lieu of diligent development after that period.

Question: If Congress does not amend the law, what steps must be taken by the Department?

Answer: The Department intends to closely and thoroughly monitor and enforce the existing statute through regulations, guidelines, and procedures, should Congress not amend the law.

Question: When must you begin preparing for implementation?

Answer: The preparation for implementation has been occurring since before the 1983 merger of the Minerals Management Service onshore functions into the Bureau of Land Management. The principle effort within Department Headquarters has been to emphasize the development and implementation of Department and Bureau policy interpretations of statutory and regulatory requirements for pre- and post-lease solid mineral operations. In the past year and a half, final guidelines were prepared for inspection and enforcement and production verification, section 3 of FCLAA, section 7 of MLA, bonding, and logical mining units. The Department is currently preparing suspension guidelines and resource recovery and protection plan guidelines. Currently, there are approximately 3,900 records in the Solid Leasable Minerals System (SLMS) that encompass 623 Federal and Indian coal leases, 117 lease applications, 0 prospecting permits, 46 exploration licenses and 17 approved or pending logical mining units containing 45 Federal coal leases and non-Federal coal. Another important characteristic of the operating guidelines is the role of the State, District and Area Offices of BLM in oversight capability. The structure of BLM lends itself to a nationally consistent solid leasable minerals program.

Question: How many leases and lessees potentially are affected by (will not meet) the diligence requirements?

Answer: The Department of the Interior's study, dated September 1985, "Analysis of Options for Amending the Mineral Leasing Act Sections 2(a)(2)(A) and 7" provides a summary of the leases and lessees potentially affected by the section 7 diligence requirements. Of the 113 post-FCLAA leases and the 121 readjusted pre-FCLAA leases (as of July 1985), 49 leases are in production, or have had past production or have been relinquished. About 18 of the remaining 185 nonproducing leases could qualify as bypass or maintenance leases, thus complying with section 7 due to production from the existing mining unit.

OIL SHALE AND TAR SANDS

Question: Is there any residual tar sands activity necessary? If so, where in the organization will it be done?

Answer: Major workload elements in the tar sands program include completing the last conversion applications for oil and gas leases and mining claims and required associated NEPA work. Also, inspection and enforcement work will be required for each lease. Another element of the tar sands program is lease administration, which includes bonding determinations, cancellations, terminations, and relinquishments. Nearly all of the actions will be performed by the BLM in Utah.

Question: What is the status of the two Colorado oil shale leases?

Answer: Tract C-a is currently under suspension pending the Bureau's action on their lease application for additional off-site acreage. Special Congressional legislation was passed in 1982 which allowed BLM to lease additional acreage to Tract C-a for off-site disposal purposes. Tract C-b is still in operation and recently made a minimum royalty payment of $1.76 million to the Federal Treasury.

Question: If they are inactive, isn't it still necessary to inspect because of the extensive on-site mines and facilities?

Answer: Yes. Terms of the lease require periodic inspection of the mines and support facilities and monitoring of specified baseline environmental factors, such as ground water, wildlife activities, surface disturbance and re-vegetative activities.

Question: Will these facilities be mothballed or will they be dismantled? Where in the organization will residual work be done?

Answer: If any of the Colorado leases were to be relinquished to the Government, a mothballing or dismantling decision would be made at that time based on several considerations, such as: if another party would be interested in taking over the lease, the facilities would probably not be dismantled; if there were no safety or environmental risk involved, the facilities might well be mothballed in anticipation of their being called into use again within the foreseeable future.

Inspection and monitoring will be performed by the Craig District Office which has operational responsibility for mineral activities in that geographic area.

Question: What will become of the personnel no longer used in the oil shale and tar sands program?

Answer: The Bureau will attempt to use their skills in other Bureau programs, or, if necessary, assist with placement outside of the Bureau.

NON-ENERGY MINERALS

Question: In March 1986, GAO issued a report critical of your procedures pertaining to hardrock mining. The report recommends screening claims at the time of filing to assure they are not on withdrawn lands. You apparently disagree. Why?

Answer: The Department has reexamined this issue and expects, very shortly, to issue instructions requiring field offices to screen claims at the time of filing. Current estimates of the costs of such screening range from $600,000 upward. This cost was not included in the FY 1986 appropriation and is not considered in the FY 1987 President's Budget. Therefore, the extent to which we will actually achieve screening of all claims at time of filing will be determined by the volume of other higher priority workloads.

Question: Why is it more cost-effective to wait until the claim holder plans to begin operation?

Answer: The actual number of proposed mining operations comprises a very small percentage of the total number of claims filed. There are currently more than 900,000 claims on record (approximately 600,000 of which are on DOI administered lands). We estimate that it would have required more than $600,000 to screen all of these at the time of filing, or to do so now. So, by not strictly requiring the screening of all claims at the time of filing, the Bureau has clearly followed the more cost-effective approach until now.

Question: Are you required to screen the claims before work can begin? Do you do this in all cases?

Answer: Yes, BLM Manual 3809 (Sections .13 and .14) contains the procedural requirement that claims be screened in the process of reviewing a Notice or Plan of Operations. The requirement applies to all Notices and Plans filed with BLM.

Question: The report questions your bonding policy of only requiring bonds on operations over 5 acres and where operators have a history of noncompliance. Do you approve plans for operations on all claims, including operations under 5 acres before they are allowed to begin? If not, what do you do?

Answer: BLM's bonding policies and procedures are currently under review by a Bureau Task Force. The Surface Management Regulations (43 CFR 3809) do not require BLM "approval" for operations which propose to disturb fewer than five acres. Only a Notice of Intent is required. However, the Notice must describe the operator's proposed activities, access routes, and the steps proposed to prevent unnecessary or undue degradation of the public land. Activity cannot commence for 15 days, while BLM reviews the Notice and determines that the proposed operation does, in fact, comply with legal, regulatory, and procedural requirements.

Question: Why would it not be effective ~~to~~ require bonding on all sites where significant disturbance takes place?

Answer: This question pertains to the March 1986 GAO Report (RCED-86-48) to which the Department is still in the process of formally responding. Although a draft response has been proposed, the final departmental response is not due until May 26, 1986. When the final response is approved, a copy will be forwarded to the Subcommittee.

Question: GAO says that the cost of a bond is minimal - $12 to $75 a year. On that basis, why isn't it reasonable to require bonding?

Answer: This question also pertains to the March 1986 GAO Report (RCED-86-48) to which the Department is still in the process of formally responding. When the final response is approved, a copy will be forwarded to the Subcommittee.

Question: As a result of apparent abandonment by claim holders, GAO found 30 unreclaimed sites in Colorado and Nevada. Do you have any idea how many abandoned sites there are on BLM lands?

Answer: Because of the relatively unfettered manner in which mining claimants could legally operate prior to the passage of FLPMA, there are many unreclaimed sites such as those found by GAO in Colorado and Nevada. BLM has no reliable measure of the number of such abandoned sites.

Question: Absent bonding for these sites, how does BLM intend to assure that they are cleaned up?

Answer: The subject of bonding, including current procedures and associated liability issues, is being comprehensively studied by a Bureau Task Force. We expect the report of that Task Force to form the basis for the determination of how BLM's responsibilities in this area can best be met.

Question: You are requesting an increase of $100,000 in order to approach the goal of one inspection per year of each mining operation. How many mining operations exist? How many will you be able to cover? How much more would be required to cover them all?

Answer: During FY 1985, BLM received 2,107 Notices and 398 Plans of Operation. Since promulgation of the Surface Management Regulations, the Bureau has received approximately 11,000 Notices and Plans of Operation, but many of these operations are no longer active.

With the increase of $100,000, we will be able to perform a total of 3,100 compliance checks. In order to follow up on all existing operations and the projected new operations in FY 1987, an additional $350,000 would be needed. This calculation is based on an estimate of 4,800 operations checked.

Question: You plan to reduce non-energy mineral leasing activity by $325,000 in FY 1987. (p. 57) The budget does away with inventory activity, a reduction of 7 million acres. Why?

Answer: A majority of the unleased Federal lands have previously been inventoried for nonenergy solid minerals. The demand for leasing activity and exploration is expected to decrease, thus reducing the level of inventory required to meet expected demand. All other elements and actions can still occur with a decrease in inventory work.

Question: What is involved in the inventory process?

Answer: Inventory includes all actions of gathering, compiling and analyzing baseline data. It also includes mapping and high altitude photography attributed to the activity.

Question: How many acres have been inventoried and how many remain uninventoried?

Answer: More than 13 million acres have been inventoried to date with about 7 million acres planned in FY 1986. The total acres inventoried and to be inventoried reflect the industry's expressions of interest and BLM's activity associated with inventory of BLM wilderness study areas. Areas remaining to be inventoried will be dependent upon the market demands for nonenergy leasable minerals.

REALTY OPERATIONS

Question: What are projected receipts in FY 1986 and FY 1987 from cost recovery in rights-of-way processing?

Answer: Projected receipts for FY 1986 and FY 1987 are approximately $2.7 million.

Question: Please explain the new fair market rental regulations. When will they be published?

Answer: The draft proposed new fair market rental regulations contain a fee schedule per acre by State, county and type of right-of-way (R/W). The schedule was developed using the following technique. Based on a market survey and information from users, a R/W value zone map was prepared. The R/W zone values were adjusted downward by 20 percent for energy pipelines, ditches, canals and roads, and by 30 percent for all other linear R/W uses. This adjusted value was then multiplied by the 1-year Treasury Securities "constant maturity" rate to arrive at an annual per acre rental fee for each value zone. It is proposed that the per acre fees in the schedule be adjusted annually by multiplying the current year per acre rental by the annual change, third quarter, in the Implicit Price Deflator Index. Rentals would be determined by multiplying the rental per acre from the schedule by the number of acres in the R/W and rounding to the nearest whole dollar. Our current estimate is that the final rulemaking will be published in 1987.

Question: Are the receipts from rentals included in the "service charges, deposits, and forfeitures" account?

Answer: No. Rental fees from R/W's granted under FLPMA are deposited to a Miscellaneous Receipts account in the Treasury, while rentals from R/W's granted under the Mineral Leasing Act are deposited and distributed in the same manner as mineral leasing receipts.

Question: How much are projected receipts for FY 1986 and FY 1987?

Answer: Receipts for FY 1986 and FY 1987 are projected to be about $5.3 million.

Question: The justification (p. 65) indicates that 3,000 rentals due in 1987 for reappraisal are in appeal status and are not currently paying rent. Why would they be expected to do so in FY 1987?

Answer: For R/W's in an appeal status, holders are paying rentals, but at the original rental fee or at the last uncontested rental fee. Assuming that new rules are adopted by FY 1987, it would then be appropriate to review R/W's subject to readjustment and make appropriate changes in rental.

Question: Are these rental fees also the same for Forest Service rights-of-way?

Answer: Yes. The per acre fee for R/W's of a given type in a given value zone would be the same for both agencies.

Question: What is the reason for a 30% downward adjustment from fair market value?

Answer: The R/W zone values would be adjusted downward by 20 percent for energy pipelines, ditches, canals and roads and 30 percent for all other linear R/W uses. These adjustments are to provide for the differences between Federal and private grants. For example, the holder of a Federal grant is subject to changes in regulations, fees and other uncertainties that are not experienced with fee title in a private grant.

Question: What are the general conclusions of the Federal Computer Performance Evaluation and Simulation Center (FEDSIM) feasibility study on ALMRS?

Answer: The ALMRS Feasibility Study was completed by FEDSIM in December 1985, and approved by the Interior Department's Information Resources Management Review Council (IRMRC) on April 1, 1986. The study demonstrated that ALMRS is:

(1) Technically feasible and sufficiently well justified and documented to proceed to the development phase.

(2) A cost-beneficial approach for automating the baseline land and mineral data required by numerous Federal, State, and local agencies and by thousands of public users. The study estimated a 2.74:1 ratio of benefits to costs over the projected life cycle.

The Feasibility Study and other explanatory materials were forwarded to the House Appropriations Subcommittee on Interior and Related Agencies on April 30, 1986.

Question: What casework systems are already in the system? What additional systems will be added?

Answer: The existing case recordation data base is operational and contains approximately 300,000 cases. The majority are new lands and minerals cases since 1982 and some minerals cases prior to 1982. New cases continue to be added to the data base as they are received. Other data bases required for the overall system, such as Bond File, Master Name File, Status, and Legal Land Description, are currently being developed. These new data bases have an interim utility in case processing because the data will be available for use in adjudicating cases. Only when the comprehensive ALMRS is implemented will the data from all of these data bases be integrated into one system.

Question: What other records will be added to the system?

Answer: Some complex lands cases, such as withdrawals, rights-of-way, and land classifications, are not now being entered into the case recordation data base. These cases are being collected as part of the status data base and will be incorporated into ALMRS in the future.

The Mining Claim Recordation data base is from an earlier designed separate system, which we also intend to incorporate into the overall ALMRS at a future date.

Question: What are the basic reasons for reducing the land transfer process in Alaska by $2,920,000 (22%) in FY 1987? (p. 72) How much does this extend the time for all transfers to be accomplished?

Answer: The Alaska realty funding level reflects necessary reductions to achieve deficit reduction goals. While the level of activity for total realty programs is reduced, principal programs of land transfer, patent processing, and individual casework will continue, but at a slower pace. The allocation of funds within this program remains focused upon completion of the major land transfer to the State, Alaska Native corporations, and to individual Native allotment applicants for land. The completion of settlement activity and other programs which facilitate access (i.e., easement management, Revised Statute 2477 trail and road systems and lands exchanges) will take a secondary position in funding priority.

The decrease in funding will result in fewer patent windows in the patent plan process being prepared for survey. Assuming that the proposed FY 1987 level would continue in the future, the time for all transfers to be accomplished will be extended from the current estimate of 40 years to 55 years. The impact of the reduction will be reflected in reduced survey in the out-years due to reduced capability to accomplish field work and adjudication in advance.

Question: Is there any time limit in the legislation that provided for the transfer?

Answer: Section 2(b) of the Alaska Native Claims Settlement Act of December 18, 1971, states "The settlement should be accomplished rapidly, with certainty, in conformity with the real economic and social needs of Natives, without litigation." In an out-of-court settlement in Alaska vs. Reagan, No. A78-291 CIV, the Department of the Interior agreed to convey 13 million acres a year or the acreage designated by the State to the Bureau.

Question: What would happen to the 25 personnel being reduced?

Answer: The Budget Justification showed a proposed reduction of 25 FTE, not 25 personnel (p BLM-74). This reduction in FTE will be accomplished through reduced temporary hires and normal attrition.

Question: Could you continue to process the FY 1987 base level activity even if funds were not added to the cadastral survey?

Answer: Yes, the program could be continued at the FY 1987 base level of $13,354,000.

LAND WITHDRAWAL PROCESSING

Question: For clarification, what is the difference between the term "withdrawal" and the term "classification"?

Answer: To "withdraw" the public lands means to remove specific lands from the operation of one or more of the public land laws and to reserve them for a specific purpose or to transfer administrative jurisdiction of the land from one Federal agency to another. One withdrawal may overlap another as one withdrawal may remove the lands from the operation of one public land law, and a second withdrawal may remove the same land from the operation of another public land law. Thus, the scope of the activities that may be permitted on lands withdrawn depends upon the scope of the withdrawals.

Classifications are distinct from withdrawals in that they originate from separate statutory authority, have different purposes, and are processed differently, although the end result is similar in that classifications also reserve the lands for specific uses. Lands may be classified for retention or disposal under various legal authorities. The principle statute allowing for retention classification was the Classification and Multiple Use Act (C&MU) of 1964 which expired in 1970.

Question: How many acres of each of these categories are covered by the suit?

From the passage of the Federal Land Policy and Management Act (FLPMA) until August 1985, 670 public land orders covering approximately 19.9 million acres have been approved by the Department of the Interior, revoking withdrawals under FLPMA 204(a). With respect to classifications, about 167.7 million acres of classified public land have been reviewed. Of this figure, approximately 160.8 million acres have been terminated. The National Wildlife Federation is challenging all of the Department's revocations and terminations. Thus, its challenge covers over 180 million acres.

Question: What activities are allowed while the suit is pending?

Answer: Activities/actions allowed by the terms of the preliminary injunction remain significant in terms of workload. New withdrawals are not affected by the lawsuit and, thus, are processed in the usual manner. Also, the Court Order specifically exempts Alaska State Selections, Alaska Conveyance Rights, Alaska Native Claims, the All American Pipeline, and Summit County School District in Summit County, Colorado. With respect to withdrawal review under Section 204(1) of FLPMA, all bureaus in the Department of the Interior will continue to review and make their recommendations to BLM. Other Federal holding agencies will be advised to adhere to previously agreed upon review schedules. The same situation is true with classifications except for the difference in procedure. No classifications may be terminated or withdrawals revoked under the terms of the Court Order under the authority of FLPMA.

As a result of the lawsuit, BLM's workload has actually increased. In addition to foregoing activities, the litigation itself has necessitated a large effort simply to be responsive to the Court and to comply with the requirements of the Court and Plaintiff's discovery requests.

Question: Has the Secretary of the Interior submitted a report to Congress on any changes in withdrawal status (FLPMA, Section 204) since January 1, 1981?

Answer: The Secretary has not submitted such a report. The Secretary did forward some recommendations for changes in withdrawal status to OMB for review. However, that process was halted pending the outcome of the litigation.

Question: When will you have quantitative data?

Answer: Currently, the outcome of this lawsuit is uncertain as is the quantitative impact in FY 1987. Because of the work required to respond to the Court and the deferral of work on withdrawal review to the outyears, the level of effort may actually increase between now and the 1991 Congressionally mandated deadline for completion of withdrawal review.

Question: What is the effect on other programs in BLM?

Answer: In general, any of the following actions which involve the 180 million acres subject to the lawsuit cannot now go forward: land exchanges, lands sales, mineral leading, mining claims, state selections, agricultural entry and transfers of jurisdiction. Obviously, this could have a major impact on BLM programs as well as individuals, States, counties, municipal areas and other Federal agencies who need to consumate such actions.

Question: What kind of management will be applied to the areas where the commercial timber management program has been eliminated?

Answer: The following management will continue:

a. Timber sales for which all the work was completed in FY 1986 will be offered.
b. Contract administration on all active timber sales.
c. Sales of fuelwood and minor forest products (e.g., post poles, Christmas trees).
d. Backlog reforestation and timber stand improvement efforts as specified by Congress in FY 1985 along with the reforestation of current sales.

Question: What is the significance of the large increase in inventory work? (p. 83)

Answer: The major portion of the additional inventory work will take place in Utah and New Mexico. This inventory is associated with the management of the Pinyon-Juniper woodlands.

Question: When will the inventory be complete?

Answer: The acreage shown in the budget justifications will be completed in FY 1987.

Question: What is the level of funding for reforestation in FY 1985, 1986, and 1987?

Answer: The funding level for reforestation is as follows:

YEAR	FUNDING ($000)
FY 1985	1,169
FY 1986	1,200
FY 1987	1,200

Question: Please provide figures on workload and backlog in the reforestation area for FY 1985, 1986, and 1987.

Answer: The following are accomplishments/planned accomplishments in backlog reforestation:

ACTIVITY	ACRES 1985	1986	1987
Site Preparation	1,221	1,428	3,813*
Reforestation	863	2,234	2,630*

*Includes backlog and base program reforestation, although the majority is backlog acres.

Question: Your justifications (p. 81) alternately speak of 2.1 million acres of commercial forest lands in the base program and commercial forest land management of 1.2 million acres of commercial timber lands. What is the difference between these figures?

Answer: The 2.1 million acres of commercial forest land refers to those lands that are capable of producing commercial tree species and can grow a minimum of 20 cubic feet of wood per acre per year.

The 1.2 million acres of commercial timber land refers to those lands within the allowable cut base. Besides having the capability explained above, these lands must also have the capability of being reforested in a 15-year period.

Question: Are the costs for public domain timber comingled with O&C grant lands contained in the appropriation for O&C grant lands now? What effect, if any, does that have on the O&C counties' programs and receipts?

Answer: Yes, the costs are contained in the O&C appropriation. No effect is anticipated on O&C programs or receipts.

Question: What is the estimated cost of this program?

Answer: Approximately 10 percent of the BLM-managed lands in western Oregon are public domain lands intermingled with O&C lands. The actual management practices are generally the same as those implemented for the O&C lands. Although the actual costs are not separated, the cost of forest management on public domain lands in western Oregon should be less than 10 percent of the total O&C appropriation.

WILD HORSES AND BURROS

Question: What are the major changes in your adoption regulations just published? Is it on these changes that you base the 42% increase in adoptions in FY 1987?

Answer: The final rulemaking which was published on March 3, 1986, included several changes affecting the adoption of excess horses and burros, all of which are intended to facilitate the process. The requirement for a $25 advance payment with the adoption application was eliminated. Requirements for certifying humane care and treatment of adopted animals for purposes of titling were relaxed by allowing certification by a local humane official, extension agent, or similarly qualified individual acceptable to the BLM authorized officer, rather than only by a veterinarian. Application for title is now required from all adopters at the time the adoption is approved, facilitating the titling process.

The increase in the number of adoptions projected for FY 1987 is based on additional efforts in the public information program, expanded use of satellite adoption centers which bring animals to locations close to potential adopters, and more emphasis on large-scale adoptions through use of the fee waiver provision or reduction in fees.

Question: How do you make your estimates of animal populations?

Answer: The various herds are inventoried, usually by means of an aerial census, on a regular cycle of from 2 to 5 years.

Question: What kind of birthrates do you assume? Do you have any method for verifying these rates?

Answer: No birthrate assumptions are necessary for census. When necessary for modeling or other purposes, rates of herd increase are calculated from successive census results. For budget modeling, we normally assume a 16 percent annual population increase.

Question: Do you take actual inventories?

Answer: Yes, mostly by aerial census.

GRAZING FEES

Question: Your news release relating to the study submitted to Congress states that respondents to your draft study cite higher costs for public land grazing. Why should this be the case? (They cite labor, transportation, maintenance, predator and disease control, and veterinary services.)

Answer: The respondents are asserting that the costs for public land grazing are higher than BLM estimated based on a 1984 study The 1966 Western livestock grazing survey showed higher costs for public land grazing for the following cost items: lost animals; travel to and from the allotment; water; water maintenance, development, and depreciation. This survey included data for permittees and non-permittees. The study conducted by the Western livestock users in 1984 generally failed to gather information on the costs of grazing privately leased lands, and did not gather adequate Westwide information on the cost of grazing public lands which would allow a determination in a manner similar to the 1966 survey.

Question: Why should respondents reject market rental value appraisals as a method of valuing grazing rates?

Answer: Respondents rejected the appraisal conducted by BLM based on their disagreement with the mass appraisal technique used, the design for and application of statistical analysis, the consideration given to the average statistical difference between the private and public leases, and the use of widely varying data. Because of these factors, they did not feel the adjustments for comparability were accurate. Additionally, they did not feel that the comparison adequately accounted for the dominance of Federal forage in the market.

GRAZING SUBLEASING

Question: The Bureau issued regulations governing so-called "grazing subleasing" to implement requirements included in the Interior appropriation for the past two years which provide for recovery of profits from assignment of grazing permits. Is it correct that these regulations will still allow a land owner to lease his land and transfer grazing rights to the lessee?

Answer: The Taylor Grazing Act (TGA) of 1934 provided that grazing preference be given to landowners engaged in the livestock business as may be necessary to permit the proper use of lands, water or water rights, owned, occupied or leased by them. This provision in the law led to establishment of base properties to which grazing preference is attached. The BLM has long recognized leases of base property and subsequently recognized persons leasing base property as the grazing permittee because of their control of the base property. The actual transfer of the grazing privilege is done only with an approval by BLM.

Question: Does this possibly allow the land owner a larger profit from his land lease than he would be able to realize if he didn't have the Federal grazing rights, since the Federal rights are below market value?

Answer: This might be possible, although the TGA is specific in that a permit will create no right, title, or interest in the public land. However, Congress recognized that the availability of the public land for grazing livestock added a value to the ranching unit. Section 3 of the act provides that "...No permittee who has complied with the regulations shall be denied the renewal of a permit if such denial will impair the value of the grazing unit of the permittee when such unit is pledged as security for any bonafide loan."

Question: Won't this always be the case unless Federal grazing rights are restricted to owners of the base land or are at market value?

Answer: Most base lands in the West by themselves, without Federal grazing rights would be uneconomical ranching units. Likewise in most cases it would be impossible to use the public lands for grazing purposes without the private lands. Each is dependent on the other for making an economically viable ranching unit. Increased grazing fees would tend to reduce the capitalized value of ranches with grazing permits. This may decrease the appraised value of the permittees ranch for sale, loan or lease purposes. Restricting grazing rights to owners of base land would be contrary to the TGA.

Does the Forest Service restrict the transfer of grazing rights in this manner?

Answer: No. The TGA does not apply to the Forest Service; therefore, they have different rules for transfers of grazing preference. In most cases, the Forest Service requires ownership of the livestock. If the livestock are sold, the new owner, if otherwise qualified, is awarded the grazing preference.

Question: Isn't the easiest solution to this situation a market based grazing fee?

Answer: The current fee is market based. Regardless of the basis or amount of the fee, ranch units would still be bought, sold or leased based on the numbers of livestock included in the ranch unit and the ability of ranch unit to provide a return on the investment. The availability of a Federal grazing preference certainly adds to the number of livestock which can be included in the ranch unit.

Question: Is a lease "an assignment of a grazing permit" even though it is a legal transaction under your regulations?

Answer: A lease of the base property results in a transfer of the grazing preference by BLM from the owner of the base property to the person leasing it. Application for such transfers must be made through the appropriate official and are approved if the person leasing the base property meets all other requirements for holding a grazing preference. When the transfer is complete and approved, BLM recognizes the person leasing the base property as the new permittee and issues that person an authorization to graze livestock on the public land. As long as that person controls the base property, he/she will be recognized as the holder of the grazing preference.

GRAZING MANAGEMENT

Question: What is the dollar and manpower workload for EIS preparation in FY 1986 and FY 1987?

Answer: To complete 13 EIS's and initiate four new EIS's in 1986 will require approximately $500,00C and 15 workyears.

To complete 4 EIS's in 1987 and initiate 4 new ones to be completed in 1988 will require approximately $200,000 and 6 workyears.

Question: Your justification on page 89 states that $300,000 will be shifted from EIS work to monitoring. What is the total expenditure for monitoring?

Answer: We estimate that FY 1987 expenditures for monitoring will be $4.8 million.

Question: What is the relationship between grazing plans and allotments? Are there more allotments than grazing plans, for example? How many of each are there?

Answer: Grazing plans are documents which prescribe the manner and the extent to which livestock grazing is conducted and managed on an allotment. Grazing plans are developed to meet multiple use, sustained yield, economic and other objectives as determined through land use plans.

The Bureau has approximately 20,000 allotments with grazing permits on public lands. At the end of FY 1986, there will be approximately 2,800 allotments with grazing plans.

Question: Do you monitor all allotments? If not, how do you choose which ones to monitor?

Answer: All allotments are monitored and supervised for compliance with permit terms and conditions. Technical monitoring, however, ranges in intensity from visual inspection to detailed data collection. More intensive monitoring is only performed on those allotments so designated through the categorization process. The categorization enables us to concentrate our efforts on those allotments where the greatest need and potential for improvement exists. Identification of allotments to be monitored is accomplished through land use planning and is first directed toward those allotments where improvement can be obtained economically and efficiently, and conflicts indicate a need to monitor the level and intensity of use.

Question: How does the grazing plan process relate to the number of grazing permits?

Answer: For each grazing allotment, grazing permits are issued which specify the class and numbers of livestock and length of time they will be grazed. On those allotments with grazing plans, the prescribed grazing practices in the plan become the terms of the permit.

Question: What is the status of your plan to spray noxious weeds in five states with herbicides? Has this been reviewed and approved by the courts?

Answer: The Final Noxious Weed EIS and Record of Decision has been submitted to the court with a request to lift the ban on noxious weed spraying in Oregon. We are awaiting the plaintiffs' response to our request of the court. Based upon the sole requirement in Washington, Idaho, and Montana to produce a worst case analysis, we are prepared to resume noxious weed control in those States.

Question: Your justifications (p. 91) indicate an inability to spend rangeland improvement funds in each year since 1982. Is there anything that can be done to speed up the process and decrease the carryover?

Answer: In the short-term (FY 1987), we have requested increased funding for project planning in the MLR Grazing Management Program. Over the long-term, completing the preparation of EIS's by the end of FY 1988 will enable us to shift funds currently being expended on these efforts to additional project planning. This should provide sufficient funding to reduce the amount of carryover from prior years.

Question: Is the $345,000 increase sufficient to do this?

Answer: Yes. This increase will provide the project planning needed to increase our rate of project development and will result in a decrease in carryover funds over the upcoming years.

Question: What has happened to Cooperative Management Agreements since the court decision to block such agreements?

Answer: All livestock grazing CMA's have been cancelled.

Question: Does the decision affect all agreements or only those involved in grazing?

Answer: It affects only those for livestock grazing. We are continuing with CMA's in other program activities such as recreation, wild horses and burros, and wildlife.

Question: Did you have any positive results from the original agreements?

Answer: Yes. We believe that many livestock operators, range management professionals, and other rangeland interests appreciated this innovative approach to the management and improvement of the public rangelands. We did not find a change in management under the CMA's because the CMA's were developed on allotments that were in satisfactory range condition and did not need improvement. Additionally, the program was cancelled shortly after most of the CMA's were approved.

Question: Please explain the Experimental Stewardship Program in which you were involved. What were the results?

Answer: The purpose of the ESP is to foster cooperation and better range stewardship leading to improved conditions of the public rangelands and to explore innovative grazing management policies and systems which might provide incentives to improve range conditions.

The ESP was initiated on 16 areas of public, State, and private land in eight Western States. Three of the ESP areas were joint efforts between the Forest Service and the BLM. These 16 areas encompassed a total of more than nine million acres of Federal, State, and private rangelands with a wide range of vegetation conditions and physical characteristics.

The most significant result of the program was a change in attitude from one of confrontation to one of cooperation in rangeland management as a result of the more intensive communication and coordination.

Increased cooperation among agencies, range users, and other rangeland interests served as a vehicle for education about the resources of the public lands and multiple use management. The program has stimulated the ranchers and other interest groups to pool their resources with the agencies' resources to accomplish public land management objectives.

Monitoring studies and public comments show that, through ESP, range management programs were developed that are leading to improved range conditions.

Question: Are there any plans to follow up on this kind of management?

Answer: The agencies will continue the present ESP programs until conclusions about results can be drawn for those programs. New ESP areas may be established where specific technical or biological experimental needs are identified.

The concepts and processes of consultation, cooperation, and coordination developed through ESP will be provided additional exposure and applied broadly through an existing memorandum of understanding among agencies of the Department of Agriculture and the Department of the Interior for coordinated resource management.

The agencies will encourage broader participation in the program by all public rangeland interests.

Question: Data you provided in testimony last year showed percentages of BLM land in various conditions. (p 324) The NWF and NRDC have published data showing higher percentages of "fair" and "poor" range conditions. Can you explain the apparent differences in the data? Are you using different bases?

Answer: The NRDC/NWF and BLM 1985 data compare as follows:

	Excellent	Good	Fair	Poor
NRDC/NWF	1.9%	21.1%	42.0	29.0%
BLM	5.0%	31.0%	42.0%	18.0%

The NRDC produced their report from the BLM grazing management environmental impact statements (EIS's) that had been completed as of 1984. There are several reasons for the differences between the BLM and NRDC/NWF analysis. These reasons are as follows:

1. When the NRDC did their analysis, only 65 percent of the BLM-administered rangeland had been covered by statements; and, by design, that 65 percent included the worst areas.

2. The EIS's were done on a "worst case first" priority basis. Therefore, the NRDC data are skewed toward the lower condition classes.

3. The EIS's were filed up to 7 years ago. The data bases would have been developed a year or two prior to the filing of the statements. Therefore, NRDC was looking at old data, in many cases, and changes have undoubtedly occurred.

By comparison, BLM's analysis was done in 1984 and based upon the most recent data available. It included an additional 50 million acres not analyzed by NRDC.

There is no assurance that land conditions would improve more rapidly with less grazing. There are too many variables involved to make a general statement to that effect. It is possible to increase grazing intensity and improve conditions through a change in the season of use or class of livestock. Each grazing allotment must be treated according to its soil and vegetation characteristics that may need improvement. Proper treatments are identified and applied through the land use planning and allotment management planning processes.

Question: If uneconomic grazing were eliminated (which is most grazing based on your grazing fee studies), wouldn't range conditions improve?

Answer: Whether grazing is or is not an economical pursuit to the Federal permittee does not affect range condition. Stocking rates, seasons of use, and the kind of livestock authorized to graze on the public rangeland are determined through a planning process that is resource based. Livestock grazing is then permitted within parameters that provide for the improvement of the range. Certain resource management objectives can be better achieved with managed grazing, and some could not be achieved without grazing. For example, cattle grazing can be managed to improve forage conditions for such wildlife species as sage grouse and deer. Total elimination of grazing allows some range sites to deteriorate in quality, and other sites simply have not changed during periods of up to 30 years of observation in livestock exclosures.

Question: How do your grazing EIS's determine the level of grazing? How are they tied to resource management plans?

Answer: Grazing EIS's do not determine levels of grazing. The resource management planning process begins with identification of issues, development of planning criteria, and data collection. Subsequent analysis then leads to the formulation of management alternatives. The EIS documents the analysis of the impact of implementing each alternative and communicates to the public, information that the manager will use in order to select an alternative.

In short, resource management planning results in the identification of management goals and objectives and general strategies to achieve them. Grazing levels are determined by allocating use between major competing uses and monitoring before and after adjustments are made.

SOIL, WATER, AND AIR MANAGEMENT

Question: If you reduce the water source identification work, won't that eventually reduce the number of claims you can file?

Answer: No. Water source identification needs decrease as inventories are completed. Most States will complete their identification in FY 1988. Water filings will increase as the identification is completed so that claims can be made in accordance with the various State laws.

Question: How many sources do you have in backlog for which claims have not been filed?

Answer: There are an estimated 12,000 or more sources for which claims have not been filed. In some States, filings cannot be made until the State calls for a general adjudication.

Question: What dollar reductions have been made in watershed activity plans and watershed improvements in FY 1987?

Answer: Watershed activity plans are estimated to be reduced by $150,000, and watershed improvements are estimated to be reduced by $500,000.

Question: How many dams are there on public lands?

Answer: There are 1,000 structures that measure in excess of 25 feet high or 50 acre feet of capacity, and approximately 10,000 smaller structures on public lands.

Question: What is your overall responsibility with regard to dams?

Answer: We are responsible for design, construction and maintenance of BLM-owned dams, as well as safety inspection and rehabilitation. Our responsibility for non-BLM-owned dams on public lands is limited to inventory and compliance and enforcement of permit terms and conditions.

Question: Your justification (p. 96) indicates that the hazardous waste program will continue at the base program level in FY 1987. Do you plan clean-up of any sites in FY 1986 and FY 1987?

Answer: The Bureau of Land Management expects to respond to or clean up under contract, approximately 19 small-scale hazardous waste spills or dumps on the public lands in FY 1986 and FY 1987.

Question: What is the process you go through in order to ascertain responsibility for the contamination and to get the contamination cleaned up?

Answer: Once it has been determined that a site is contaminated, BLM checks the following sources: its records of authorized users, any identification discernable on waste containers, adjacent land users, and local information to ascertain other responsible parties. Once other responsible parties are identified, BLM, either alone or under the auspices of the EPA or the concerned State, will invite these parties to participate in the site clean up. BLM has no authority to compel clean-up by responsible parties. If such parties do not cooperate, BLM can only clean-up the site and then litigate for recovery of Federal costs and damages.

Question: How long will it be before significant progress is made on cleaning up sites?

Answer: BLM is making significant progress in the identification and evaluation of hazardous material sites on the public lands. This process identifies contaminants and the possibility of off-site migration of these materials and ranks the risk of each site. This process is necessary for the development of clean-up design and the identification of other potentially responsible parties to share the costs of clean-up. In FY 1985, BLM issued a contract for 17 preliminary assessments (PA's) and 4 site investigations (SI's) on places known or suspected of containing hazardous substances. A similar contract will be issued during the third quarter of FY 1986, and again in FY 1987.

Question: What steps are you taking to further inventory public lands for site contamination?

Answer: In addition to employee surveillance of public lands for hazardous waste sites, dumps and abnormalities indicating hazardous waste, each BLM office reviews EPA's CERCLIS List of potential sites at least annually for those on public lands. Field offices also check similar lists prepared by State environmental regulation agencies. Any sites found on or affecting public lands are tracked and preliminary assessments prepared on a priority basis.

Question: The February 27, 1986, report forwarded to the Committee on hazardous sites states that "It seems highly likely that at least some mine wastes will come under regulation in 1986." How will that affect the 71 sites you identify in the report as containing such wastes?

Answer: EPA will not make the official decision to regulate minewaste under RCRA until June. It will then be at least 6 months before regulations are promulgated. As the scope of potential mining waste regulation has not been defined by the EPA, the effects on these sites cannot be foreseen.

Question: How many of the 71 sites are covered by bonds so that clean-up will not become a government responsibility?

Answer: None of the 71 sites is covered by a bond for hazardous waste clean up.

Question: What procedures do you have in place that will allow you to prevent the occurrence of site contamination?

Answer: While the Bureau has taken many steps to ensure that users of the public lands do not contaminate sites, there is virtually nothing this agency can do to prevent illegal disposal of hazardous substances. This is due to the public's easy access to the hundreds of millions of acres managed by BLM. The Bureau has been aggressive in its use of regulations, lease stipulations and compliance checks to prevent site contamination by public land lessees.

WILDLIFE HABITAT MANAGEMENT

Question: How many habitat management plans have been written?

Answer: To date, we have 399 approved habitat management plans.

Question: What is the effect of reducing the number of new plans written in FY 1987 by two-thirds from FY 1986? (p. 102-103)

Answer: Nearly three-quarters of the HMP's that have been prepared to date are in various stages of progress or completion. Reducing the number of new plans developed will allow us to put more emphasis on completing projects for existing high priority HMP's that are not yet fully implemented. We will continue to prepare new HMP's for high priority areas. Preparation of new HMP's for lower priority areas can be deferred without causing significant adverse effects to the wildlife habitat resource.

Question: How many plans in total are expected to be written?

Answer: The FY 1987 estimate provides for 22 HMP's to be written or revised. HMP's are written in response to issues identified in land use plans. Development and revision of land use plans is an ongoing process. Consequently, we cannot anticipate the total number of HMP's that will be written in the long term.

Question: What skills will be lost in the expected reduction of 20 personnel in FY 1987? (p. 102) Will this reduce the number of botanists?

Answer: Reducing FTE's does not necessarily mean a proportionate decrease in the number of wildlife or botanist positions, or overall program capability. Our intent is to reduce overall costs through increasing efficiency, reducing administrative costs, and deferring low priority work. Individual States will determine the kinds of positions which are no longer essential for the management or protection of wildlife habitat resources on public lands.

Question: You plan to reduce threatened and endangered species work by $1,000,000 in FY 1987. Have recovery plans been written for all species? If not, how many have been written?

Answer: There are 109 threatened and endangered species on BLM lands. A total of 57 recovery plans has been developed for these species.

Question: Of those written, what is the status of implementation?

Answer: There are 44 plans being implemented. Implementation for most plans is a long-term effort. For some, implementation involves significant habitat improvement and/or acquisition. For others, implementation involves only monitoring to ensure proper levels of protection. The information is not available to determine the percentage completion on individual recovery plans.

Question: Does the reduction of 40 plans implemented (p. 103) in FY 1987 mean that those plans will be abandoned?

Answer: No, implementation will be deferred, or efforts reduced on noncritical portions of the plans. Monitoring efforts will continue to ensure that threatened and endangered species are not jeopardized as a result of habitat alterations.

Question: What is the difference between a recovery plan and a management plan?

Answer: Recovery plans are developed under the auspices of the Fish and Wildlife Service. These plans establish objectives for threatened and endangered species management such as nesting success, pesticide levels, research, public awareness, or habitat acquisition. These objectives and tasks are assigned to the various agencies involved. The agencies then develop management plans to achieve the objectives in the recovery plan. These management plans are agency-specific.

For species which occur only locally in a very restricted habitat administered by one agency, the recovery plan may be in the management plan.

Question: Please provide a description of the types of projects funded under research and development. (p. 102)

Answer: Research and development for wildlife and fisheries habitat management include: (1) Impacts of other resource activities (e.g., grazing, energy/mineral development, forest management) on wildlife habitats; (2) Improved procedures for collecting, storing, analyzing and using habitat monitoring data; (3) Improved procedures for assessing, understanding, and using economic values related to wildlife habitat; (4) Impacts of wildfires and prescribed burn programs on wildlife habitat; (5) Improved procedures to collect, analyze and use wildlife inventory data.

Question: You are reducing significantly the number of habitat projects developed and maintained in FY 1987. (p. 103) What is the effect of these reductions?

Answer: The majority of BLM's habitat development projects are identified in the 399 HMP's. There is no rigid schedule for project implementation. We are focusing our attention on implementation of projects that involve crucial habitats and high priority issues. Project work in lower priority areas can be delayed without having significant impacts on the wildlife resource. Our habitat maintenance work schedules can be deferred without any adverse effects.

Question: Will this eventually lead to a deterioration of habitat on public lands?

Answer: We do not anticipate deterioration of habitat on public lands through the deferral of habitat project development and maintenance. Deferral of habitat projects and maintenance in noncritical areas will not significantly impact the associated wildlife habitat resources.

Question: What happens to projects that are not maintained? Of what does maintenance consist?

Answer: Maintenance involves such things as minor repairs of fences, water facilities, vegetation manipulation projects and stream improvement structures. Habitat projects are inspected on an annual basis to determine whether maintenance is required. Minor maintenance can be delayed as long as the project remains functional without significantly impacting wildlife resources within a local geographic area.

Question: What is the effect of this reduction on contributions by others? Do they go up or down in FY 1987?

Answer: We will continue to actively seek private and State contributions in the form of labor, materials, and funds to assist in carrying out habitat project development and maintenance in critical/high priority areas. We feel the reduction in the number of projects constructed and maintained will not affect our ability to procure and utilize contributed funds at the projected FY 1987 level of $1.5 million. This is approximately the same level of contributions received in FY 1985 and FY 1986.

CULTURAL RESOURCES MANAGEMENT

Question: Please explain how your proposed new program regulations will define categories of archeological and historic sites differently than the criteria designed for the National Register of Historic Places. What effect will this have on your program operations, if any?

Answer: We do not plan to promulgate program regulations for cultural resource evaluation at this time. The Bureau of Land Management system of cultural resource evaluation was developed to improve the management utility of the National Register of Historic Places. This evaluation system is presently being incorporated into the new BLM manual system and will be applied together with the National Register System. The BLM criteria extend and complement the National Register criteria by defining precisely what is important about cultural properties, which gives managers a clear understanding of management actions needed to protect the properties' important characteristics.

The BLM evaluation system categorizes cultural properties according to uses, including scientific, socio-cultural, and public use. Assignment of property to a use category is carried out during the land use planning process and represents a commitment to safeguard assigned uses. Protection measures are then designed and implemented to ensure that the important characteristics of cultural properties are maintained until such time as assigned uses are realized.

Question: Where is the experimental ecological reserve? What are your responsibilities with regard to it? What activities take place there?

Answer: The experimental ecological reserve is located northeast of Ruidoso, New Mexico and is called the Fort Stanton/New Mexico Range Research Station and Experimental Ecological Reserve. Approximately two-thirds of the area is devoted to range research conducted by the New Mexico State University. The remaining one-third is excluded from grazing or grazing research but is available for wildlife research. A cooperative agreement defines the relationship between BLM and the New Mexico State University. The Bureau has full management responsibility for the resources of the area, but must conduct its activities so as not to interfere with the research efforts.

Question: Where is the international biosphere reserve? What are your responsibilities with regard to it? What activities take place there?

Answer: BLM manages one biosphere reserve, the Northern California Coast Range Preserve in the Ukiah District. The Bureau is managing this area for research and educational purposes. The area is open for hiking and associated recreational uses and for research, but is closed to other uses.

Question: You are reducing funding for cultural resources management by about 20% ($940,000) in FY 1987. (p. 109) How much will this reduce the operating hours of the Anasazi Heritage Center?

Answer: Due to the response from people interested in doing volunteer work at the Anasazi Heritage Center, it may not be necessary to reduce the hours of operation. We presently have a potential of some 60 volunteers, who when teamed with a small professional staff, may permit us to operate on a schedule comparable to the National Park Service's schedule at Mesa Verde National Park.

Question: How will this affect visitor or professional use?

Answer: We are unable to predict with any certainty whether or not visitor or professional use would be affected by such an arrangement. Until the Center is actually in operation, it is difficult to predict the level or exact nature of the user demands. Every effort will be made to accommodate those demands with the mix of professional and volunteer staff.

Question: How will the reduction affect your ability to prevent theft or destruction of artifacts and historical areas?

Answer: In the past few years, there has been an increase in cooperative protection measures involving State and Federal agencies, most notably in Arizona and Utah. These efforts, combined with educational activities to inform the public of the significance of these resources, should help to prevent theft or destruction of archeological and historic artifacts.

WILDERNESS MANAGEMENT

Question: What is your overall schedule for completing work on wilderness study area Environmental Impact Statements?

Answer: The last wilderness study area environmental impact statement (EIS) in each State is scheduled to be filed as a Final EIS as follows:

Arizona	March 1989
California	March 1989
Colorado	September 1988
Idaho	March 1989
Montana	September 1989
Nevada	March 1989
New Mexico	March 1988
Oregon	March 1988
Utah	September 1987
Wyoming	March 1989

Question: Is it your intent to submit the recommendations to the President in one comprehensive package? When is it expected that that will be done?

Answer: All recommendations for a State will be submitted in one comprehensive package. The estimated dates for each BLM State's wilderness recommendations package are as follows:

Arizona	September 1990
California	September 1989
Colorado	September 1990
Idaho	September 1990
Montana	September 1990
Nevada	September 1990
New Mexico	September 1990
Oregon	September 1989
Utah	September 1990
Wyoming	September 1990

Question: When do you release the studies publicly?

Answer: The public is involved throughout the wilderness review process. This includes input to the inventory process, input into scoping the issues and alternatives for analysis in the wilderness study, and review of the draft EIS. We are now beginning to file Final EIS's which are also made available for public review. The goal is to file a minimum of 10 final EIS's by the end of 1986. Once the mineral surveys are completed, the statewide recommendations will be made, and the Records of Decision will be signed by the Secretary and made available to the public. The decisions will be completed according to the schedule in the answer to the previous question.

Question: Are any of the study areas already the subject of pending legislation introduced by interested members of Congress?

Answer: Bills have been introduced affecting wilderness study areas (WSA's) in four States:

> California: S. 2061, the California Desert Protection Act of 1986, would affect many WSA's in the California Desert Conservation Area, primarily by designating them as wilderness or incorporating them in proposed new or expanded units of the National Park System.
>
> Colorado: S. 2097, the Colorado Wilderness Act of 1986, would designate about 40,000 acres of the Powderhorn Instant Study Area as wilderness. H.R. 34 and S. 69, the Colorado Wilderness Act of 1985, would designate the same area of Powderhorn, and 1,505 acres of the American Flats WSA and 3,300 acres in four small WSA's contiguous to the proposed Sangre de Cristo Wilderness.
>
> Montana: S. 2850 (98th Congress) would have released the Bitter Creek WSA from study status. This legislation has not been reintroduced, but we understand it is still under discussion.
>
> New Mexico: H.R. 3684 would designate about 193,000 acres of the El Malpais Instant Study Area as wilderness and include within the proposed El Malpais National Monument another four WSA's which would continue in study status.

Question: What is the cost of managing existing wilderness areas?

Answer: In FY 1985, the most recent year for which BLM has a complete year-long record of expenditures for wilderness management, the Bureau obligated $948,000 to manage 368,739 acres of designated wilderness on public lands. We expect to continue slightly above this level for FY 1987. It should be noted that this figure includes start-up costs and the per-acre cost of managing the existing designations should fall in the coming years.

Question: How are you managing wilderness study areas with regard to valid existing rights for mining, mineral leasing and grazing? Are you allowing increased grazing activities, for example?

Answer: WSA's are being managed in conformance with the Interim Management Policy; and valid rights existing on October 21, 1976, are being recognized. However, this does not mean that those with valid existing rights are necessarily exempt from the nonimpairment criteria. For mining and mineral leasing, rights are determined on a case-by-case basis; and rights of development may not be restricted to the point of unreasonable interference with the claimant's or lessee's enjoyment of benefit. If rights can be enjoyed only by impairing wilderness value, they will be allowed but are regulated to prevent unnecessary degradation. Grazing systems in operation and range improvements existing or under construction on October 21, 1976, may continue to be used and maintained. Increased grazing may be allowed in WSA's as long as (1) the changes in number and kind of livestock and period of use do not cause declining condition or trend in the vegetation or soil, and (2) the changes do not cause unnecessary or undue degradation of the lands. Changes in the condition or trend are considered in relationship to their effect on wilderness values. Any proposed increases in levels of livestock use must be based upon monitoring data which indicate additional forage is available.

Question: What is the extent of the monitoring you do in these areas? What is its cost?

Answer: WSA's are monitored at least once a month during seasons when they are accessible by the various users and publics. Frequency of monitoring may be more often due to the level of activity or interest in a particular action(s) occurring inside the WSA. In FY 1986 and FY 1987, about $2.6 million is planned to be spent for interim management.

Question: Are there any cases, existing or expected, that will or could cause impairment to wilderness values as a result of "grandfathered" rights?

Answer: Of approximately 1,900 actions occurring in some 860 WSA's since 1976, less than 7 percent are related to existing grandfathered activities; and less than 3 percent were unauthorized. Due to our increased monitoring and public awareness efforts of the interim management policy, we do not anticipate a problem with impairing activities related to grandfathered rights.

Question: What is the extent of "grandfathered" rights in these areas?

Answer: For both grazing and mineral uses, the benchmark of what is grandfathered is the physical and aesthetic impact of use occurring on October 21, 1976. Such uses may continue in the same manner and degree; however, there are differences in the way this is applied between grazing and minerals. For grazing, it is the use that was authorized and used during the 1976 grazing fee year. For locatable and salable minerals, it may include logical progression of a mining activity, a geographical extension of the existing activity, or a change in the type of activity if new impacts are not of a significantly different kind than those existing on October 21, 1976. It is the use and not the mining claim that is grandfathered.

Question: Testimony before the Committee on February 27, 1986 states that you are allowing "all kinds of new land uses and development activities in WSAs, including off-road vehicle races, construction of roads, water impoundments, various mining operations, and expanded grazing and range improvements." Are you allowing such uses? If so, why?

Answer: All activities approved in WSA's, except for certain grandfathered and valid existing rights, are evaluated in accordance with environmental constraints and according to the nonimpairment criteria as outlined in the Interim Management Policy. Temporary uses may be allowed even though they cause impacts if the area can be reclaimed and will not constrain the Secretary's recommendation as to suitability for preservation as wilderness. Off-road vehicle races are permitted on existing ways and trails; temporary roads may be permitted; and mining operations and expanded grazing improvements may be allowed subject to the nonimpairment criteria.

Question: Have you had, or do you anticipate any requests to do directional drilling into wilderness areas as currently allowed?

Answer: BLM has had no requests from mineral lessees to do directional drilling into wilderness areas from lands under mineral lease adjacent to such areas. Because of the high costs involved in such types of drilling activities, it is not anticipated that many such requests will be made.

RECREATION RESOURCES MANAGEMENT

Question: Your justification states that recreational use of Federal lands is expected to continue to increase through FY 1987. (p. 115) In the face of that, how can you reduce expenditures in FY 1987 by $844,000 and 10 personnel without affecting services and protection? (p. 117)

Answer: This reduction will be possible through management efficiencies, especially in working closely with the Forest Service in issuing joint permits for activities which start on either public lands or national forest lands and extend onto the other agencies' land. Unit costs are also expected to decrease in permit management since both the applicants and BLM personnel are becoming more familiar with the procedures of issuing the permits. Monitoring could be affected, but since BLM is developing a better knowledge of the compliance history of the applicants who have held permits, monitoring can be concentrated on reported violations and new permittees with comparable effectiveness.

Through past experience, BLM will be able to better define those areas and sites where frequent patrol activities are necessary as opposed to those where less frequent, random, or seasonal patrols are most effective. This identification of key areas should allow a reduction in permit monitoring and other surveillance and patrol activities. Reductions in resource protection projects will be limited to the least critical areas.

Also, the reduction incorporates a decrease of the 1986 one-time costs for support of the President's Commission on Americans Outdoors, Steece-White Mountain activities, and other special areas which should not be recurring.

Question: What do you project the volunteer effort to be in FY 1986 and FY 1987 in the recreation program?

Answer: Of the total volunteer effort within BLM in FY 1985, 18 percent was spent on the recreation program. Approximately 870 volunteers contributed 66,800 hours of time and work valued at $580,000. These amounts were up by 35 percent and 43 percent respectively over the previous year. With the Secretary's "Take Pride in America" program, we expect to see similar increases in FY 1986 and FY 1987.

Question: Have you had any results from your efforts to encourage specific written agreements in Cooperative Management?

Answer: The Bureau has written agreements to assist in the management of approximately 125 projects. Of this total, about 40 are formal cooperative management agreements.

Question: In what specific areas will you make reductions in patrols? How will you decide?

Answer: We cannot accurately predict the specific areas planned for reduction in patrols since such determinations will be based on numbers of users, past problems, significance of the resources involved, visitor safety, evidence of conflicts and the potential for resource degradation.

Question: What has been the trend in off-the-road vehicles (ORV) use on BLM lands?

Answer: The use of ORV's on BLM land is continuing to grow each year. The estimated number of visitor hours of ORV use on BLM land during FY 1985 was 36,995,000. This use was up 42 percent from the estimated 21,348,000 visitor hours in FY 1984.

Question: What steps have you taken to minimize damages from ORV use?

Answer: The BLM is complying with Executive Orders 11644 and 11989 which require each agency to designate their lands as either open, closed or limited to ORV use. Our objective is to designate all BLM lands to meet public demand or needs, to protect resources and the safety of public land users, and to minimize conflicts among the various public land users. Our policy is that the ORV designations are to be determined and completed as an integral part of the normal Bureau planning process which allows for the consideration of all the resources and the impact that ORV use may have on them. The planning system also calls for public participation in developing the plans and recommendations. We also have procedures which allow us to make emergency designations when necessary to protect the resource until we are able to complete a plan for a particular area.

Question: What kinds of enforcement problems do you have? Where?

Answer: Our basic enforcement problem usually lies with the users who have little regard for the rights of other people or of the resources or who simply are uninformed of the rules of conduct. For the most part the ORV clubs and organized event sponsors obey the designations and rules established for the area of the event. The problem is lack of compliance with the designations for a particular area, e.g., riding in a closed area, or riding off of an established trail in a limited designated area. These problems occur throughout the areas managed by BLM, and particularly in heavy use areas such as the California Desert, portions of Nevada, Utah, Arizona, New Mexico, and Colorado, and on public lands adjacent to urban areas.

Question: How are you addressing them?

Answer: Our preferred way of addressing the problems is through increased public contact and education. We are continually working with individual clubs and organizations to educate their members and others they contact to the reasons for the various designations and the need to protect the resources on the areas they utilize. The Secretary of the Interior's "Take Pride in America" initiative should assist in this effort to create a public land use ethic. As a last resort, we have and will continue to take legal action against violators of the ORV designations. This action is taken by BLM's law enforcement rangers, as well as through local law enforcement authorities.

Question: Are there any fees or permits required for ORV use?

Answer: Special recreation permits and associated fees are required for competitive events and for noncompetitive events involving 50 or more vehicles. Permits are not required for individual users or family groups, and they are not charged any use fees. ORV users are required to pay any fees that may be associated with other facilities (campgrounds) that they may use in the course of utilizing the public lands for ORV activities.

FIRE MANAGEMENT

Question: Your justification states you are developing "a two-fold prevention program to reduce the number of person-caused fires . . . by 10 percent annually." (p. 120) What is this program?

Answer: The two-fold prevention program analyzed the district offices' "man caused" fireload and determined (1) the most predominant cause and (2) the cause most frequently resulting in disastrous fires. A prevention manual was developed, fire prevention cooperative efforts were initiated, popular sports figures were involved in Smokey's and the Pro's campaign and the War on Arson, and fire trespass efforts were increased.

Question: How successful is it?

Answer: To date, the effort has proven to be beneficial.

Question: Please describe what Phase II of the Initial Attack Management System (IAMS) is, and what capabilities the system will have at the end of FY 1987.

Answer: IAMS is a computer assisted support program that incorporates real-time factual site data (fuel and terrain, weather, lightning, etc.) and makes predictions on fire behavior for use by fire management personnel. There are three phases to full implementation of the System. Phase I, which primarily consists of purchase of computer hardware and software, facility conditioning, fuels mapping and personnel costs has been completed. Phase II includes purchase of automated graphics systems and automatic weather stations, continuation of fuels mapping, purchase of software, and associated installation and equipment costs. At the end of FY 1987, assuming our budget request is approved, the items identified above in Phase II will be completed. All the Bureau districts, except those in New Mexico, will have the basic components of IAMS and will be able to utilize IAMS technology.

Question: Is the lightning detection system completely in place?

Answer: The automatic lightning detection system is completely in place and operational. Upgrading of some ALDS components to keep pace with current technology is occurring.

Question: Are all the automatic weather stations in place? If not, when will they be in place?

Answer: With completion of the Initial Attack Management System Phase II, 106 units of the projected 359 needed would be in operation. The remainder would be acquired and installed in Phase III. Phase II had originally been scheduled for completion in FY 1987 assuming the approval of the proposed increase of $599,000 in FY 1987 for Phase II development. Because of the impact of Public Law 99-177, however, about $380,000 of IAMS Phase II work cannot be accomplished in FY 1986; and this portion will, therefore, have to be done after FY 1987.

Question: An IG report states that you have not developed a methodology to determine whether the system is achieving its projected benefits. What is your response?

Answer: The Bureau has responded to the Inspector General's recommendations and has been informed by them that we are now in compliance. Our responses discussed three methods which could be used to evaluate benefits of IAMS.

Question: How will you make such determinations?

Answer: The first method involves use of computer modeling to look at the effect of reduced time intervals between the fire start and initial attack. The second method is a trend analysis conducted over several years to look at the trends in the average size of fires. The third evaluation method would be individual case studies. We will make the determination after field personnel have had an opportunity to utilize the complete system and can provide recommendations to the Headquarters Staff.

Question: How do you hire and train your seasonal firefighters?

Answer: Seasonal firefighters are recruited through an annual seasonal vacancy announcement. Applicants identify desired work locations and type of position. Selections are made in late March to early April. Upon coming on board, appropriate training is provided. Most entry courses are prepackaged and taught at the BLM district offices.

Question: Where are they trained?

Answer: The location of training varies. Most basic training for fire seasonal employees is taught at the BLM district office level. Upper level courses are usually taught on a regional basis and utilize facilities such as those at the Boise Interagency Fire Center (BIFC).

Question: Do such employees get paid overtime rates for firefighting activities?

Answer: Seasonal firefighters receive overtime pay for the hours that they work beyond their normal work schedule, usually beyond 40 hours per week.

Question: What is the general base level pay schedule?

Answer: Seasonal firefighters are usually in the General Schedule (GS) pay system. The grade depends on the employees seasons of experience (skill), education, and the position held. New employees will usually enter on duty at the GS-2 or GS-3 level. The most experienced seasonals (4-5 seasons experience) can reach the grade of GS-7.

Question: Do you hire different skill level personnel? Do you hire contract personnel?

Answer: The positions within the firefighting program vary considerably in required skills and knowledges, especially for supervisor vs. crewmember. Applicants select the type of job (dispatcher, engine or helitack crew, hot shot crew, smokejumper, prevention officer, etc.) desired. Selection is based on the above listed factors.

The Bureau does not hire contract personnel for firefighting. Emergency firefighting crews, such as Indians, are hired at administratively determined rates. These crews are not considered by the Bureau to be contract personnel. We do contract for services such as aviation (helicopters and air tankers) and heavy equipment needs. Additional contracts exist with State firefighting agencies to provide protection of certain BLM lands on a reimbursable basis.

Question: What is the cost of the Boise Interagency Fire Center? How much of that cost is paid for by BLM?

Answer: The BLM operating budget at the Boise Interagency Fire Center (BIFC) for FY 1986 is $3,625,000. Approximately $2,938,000 of this cost is paid by BLM. The remaining $687,000 is paid by other agencies through reimburseable payments to BLM or by direct payment for a share of the support costs such as janitorial and mess hall services. The Bureau does not know the amount of salary, travel and other costs that are incurred by the personnel of other agencies stationed at BIFC.

It should be noted that BLM's $2.9 million BIFC operating budget includes a one-time add-on of $874,000 to cover acquisition of equipment and other costs associated with implementation of the Initial Attack Management System. In addition to the BIFC operating budget of $3.6 million, the Normal Year Fire Plan estimate of fire presuppression costs to be incurred at BIFC in FY 1986 is $3,395,000.

Question: Your justification talks about revising priorities to increase detection and initial attack capability. (p. 121) Does this mean more emphasis on local firefighting units?

Answer: The change in priorities has not increased emphasis on the district fire program. The most effective and cost-efficient use of the districts' firefighting effort is to keep fires small through early detection and rapid attack.

Question: Does this de-emphasize the Boise center?

Answer: The revised priorities did not de-emphasize BIFC's role. Large fires still occur, and there is a need for an interagency focal point for logistical support to field units, especially for large project fire statistics.

Question: Why is the State of Alaska ceasing to assist in funding the Alaska Fire Program? (p. 121)

Answer: Beginning in FY 1986, the State of Alaska discontinued its cooperative funding for fire protection since the State started providing for its own protection of State lands. Therefore, the previous reimbursement from the State of Alaska will no longer be received.

Fire suppression costs incurred by the BLM on State of Alaska lands will continue to be reimbursed by the State to BLM based on billings from BLM for actual fire suppression costs incurred on State of Alaska lands.

Question: What specific actions are being taken to reduce the overall requirements of the program from $1,700,000 to $1,500,000? (p. 122)

Answer: An organizational realignment between the Alaska State Office and Alaska Fire Service has occurred. This has reduced duplication of certain efforts and eliminated several positions.

PLANNING

Question: You originally had about 350 management framework plans (MFPs) covering about 80% of BLM lands. How many of the newly required resource management plans (RMPs) are now in place and how many MFPs do they replace?

Answer: As of May 1, 1986, 21 RMP'S had been approved by publication of a Record of Decision (ROD); 20 RMP's are in final awaiting protest resolution and/or approval through publication of the ROD; and 7 are in draft. The 21 approved RMP's replace 58 MFP's.

Question: What percent of BLM lands do they cover?

Answer: These 21 approved RMP's cover approximately 15 percent of the BLM lands.

Question: Could you please provide for the record your schedule for completing the new RMPs and show by year how many MFPs they will replace and what percent (or acreage) they will cover?

Answer: Because the RMP's are issue oriented, and thus are not replaced on a specific cyclic basis, we cannot provide a schedule for completing RMP's beyond the short-term. The schedule below shows the RMP's which are scheduled to be completed through Record of Decision (ROD) in FY 1986, 1987, and 1988, as well as those completed in FY 1985. The FY 1987 Justifications showed RMP's completed through proposed RMP/Final EIS. The number of MFP's being replaced follows each RMP name. The FY 1986 column includes those plans already approved in FY 1986 as well as those which we anticipate will be approved prior to the end of FY 1986.

State	FY 1985	FY 1986	FY 1987	FY 1988
AK		Steese-0 White Mtns.-3	Central Yukon-0 Bristol Bay-1	Corridor-1
AR		Yuma-3 Lower Gila South-2 (+ parts of 3 others)		Phoenix-3
CA	Alturas-3 Coast/Valley-2 Hollister-2		Arcata-3	
CO	Glenwood Spgs.-2	Kremmling-3 Northeast-1 Piceance-1 San Juan/S. Miguel-2	Little Snake-3	Uncompahgre-5
ID	Cassia-1 Monument-2	Medicine Lodge-2 Lemhi-1	Jarbridge-1	Cascade-1 Pocatello-3
MT	Billings-5* Powder River-5 Headwaters-6*	S. Dakota-2 Garnet-5	N. Dakota-4	West Hiline-3

NN	Lahontan-2 Wells-1	Walker-1 Egan-1 Esmeralda/S. Nye-2 Shoshone/Eureka-2	Elko-2	
NM		Rio Puerco-4 White Sands-2 Carlsbad-3	Taos-1 Farmington-2	Socorro-4
OR	John Day-3	Two Rivers-3 Spokane-9	Baker-3	Brothers/La Pine-2
UT	Bookcliffs-2 Grand-4	Box Elder-1 CBGA-3	House Range-2 Warm Springs-2	San Juan-4
WY	Buffalo-3 Platte River-4	Kemmerer-1	Washakie-1 Lander-5	Cody-1 Pinedale-2 Medicine Bow/ Divide-4

*completed in FY 1984

(NOTE: 5 RMP's will be completed on the westside of Oregon in 1990 to replace 7 MFP's.)

By the end of FY 1988, BLM expects to have approximately 43 percent of the public lands covered by RMP's (26 percent by the end of FY 1986; 36 percent by the end of FY 1987).

Question: How do you determine which areas to do plans on?

Answer: BLM policy is to replace existing plans when they become inadequate for management purposes, that is, when issues arise which are not covered by the existing land use plan. Each State formally monitors their land use plans to determine if a given plan is still adequate for management purposes. If a formal monitoring action indicates that a plan is or appears to be inadequate, preplanning is triggered. Preplanning can result in one of three actions: need for minor plan maintenance, need for a plan amendment, or need for preparation of a new RMP.

BLM policy is to first fund ongoing planning efforts. Within ongoing efforts priorities are determined by: 1) court-ordered, congressionally mandated or Secretarial established deadlines (grazing EIS's, Steese and White Mountains RMP's, wilderness studies, etc.), and 2) other actions or proposals dependent upon completion of planning efforts. Preplanning efforts for new starts are funded only after ongoing efforts are completely funded, except if a court-ordered, congressionally mandated, or Secretarial schedule must be met. In these cases, a preplanning effort for a new start might take precedence over an ongoing plan. In general, each BLM State office sets its own schedule.

Question: Are there areas that have the old MFPs for which you do not intend to do the new RMPs? Why?

Answer: Over time, all MFP's still in use will be replaced by RMP's. However, when this will be completed depends upon each situation and its associated management circumstances, since some MFP'S may remain adequate for a number of years. The Bureau would like to replace outmoded MFP'S at the rate of one new start per State per year.

Question: Do you plan to cover 100% of BLM lands? Why not?

Answer: Approximately 80 percent of the public lands are covered by RMP's or approved MFP's. About 24 million acres are not currently covered. These are generally scattered, isolated tracts of public lands. Planning will take place on these areas only if an issue arises which requires a land use plan. In most cases only a land use analysis will be necessary. Doing complete RMP's on these scattered tracts is not cost effective since most of these tracts have been identified for disposal rather than retention, and BLM does not generally have sufficient land ownership in these areas to control land use. If any actions are proposed on these lands, such as disposal, a land use analysis and NEPA analysis would be done, including public participation and input.

Question: Have you had court challenges to any of your resource management plans?

Answer: To date no RMP's have been directly challenged in the courts, although the planning requirements have been an element in a number of cases: e.g., Reno grazing EIS, NWF vs. Burford (withdrawal review and land classification), Powder River coal suit, CMA case, and asset management.

Question: What makes these plans different or better than those in the old process?

Answer: The major differences between MFP's and RMP's include:

- RMP process fully integrates NEPA analysis and documentation requirements and provides for an EIS with every RMP.
- Participation opportunities/provisions are expanded in the RMP planning process and in the preparation of planning-related guidance.
- The RMP process contains explicit requirements for consultation/coordination and consistency with other agencies, State and local governments and Indian tribes, including explicit review for the State governors.
- The RMP process contains protest provisions that allow those who participate in the planning process to protest proposed plan decisions to the Director for administrative review.
- The planning process is codified; planning rules are set forth, providing stability to the process and a high general level of understanding of the standards and procedures for planning uses of the public lands.
- The RMP process incorporates the procedures for the identification, evaluation and designation of areas of public land requiring special management (e.g., ACEC's).
- The RMP process facilitates coordination with other Federal land-managing agencies.

Question: An April 10, 1986, document from the Natural Resources Defense Council outlines eight perceived problems with BLM land use plans. Please provide a response to these statements.

Answer: The document indicates a lack of understanding of the entire BLM planning process. The resource management plan is used to develop broad management goals and objectives and general strategies to achieve them. A more detailed activity plan, called the allotment management plan, is done at the allotment level. The specific conflicts related to livestock grazing are resolved through provisions of the activity plan. It is here that stocking rates, seasons of use, and individual range improvements are planned and implemented to ensure that grazing practices are consistent with multiple use demands on each allotment. Where activity plans have not been completed, necessary restrictions are placed in the terms of each permit or lease.

The conclusion that BLM lands are being seriously degraded is not consistent with either the NRDC/NWF range condition report of 1985 or the more comprehensive BLM report of 1984. In spite of the fact that their data is skewed to the lower condition classes, it shows a substantial improvement in range condition over the BLM report done in 1975.

Our responses to the eight statements are as follows:

1) Plans lack needed data - Plans contain adequate data for the analysis of a proposed action and a reasonable range of alternatives at the RMP planning level. The determination to use data such as present and potential forage production and range condition instead of specific grazing capacity numbers was based upon recommendations from a National Academy of Sciences (NAS) study and a Society for Range Management report on the subject.

2) Plans ignore available data - Plans do not ignore available data. The inventory data referred to by NRDC as "ignored" is the baseline data from which changes can be measured to determine proper stocking rates and management practices. BLM range professionals have long recognized the limitations of the kind of data NRDC would have them use. NAS and the Society for Range Management recommended, and BLM adopted, a more scientifically sound approach to determining long-term grazing capacity.

NRDC misinterprets BLM's current policy on decisionmaking. The policy is that monitoring will be done as necessary to collect adequate data. This additional data collection will take not more than 5 years from the date of the Record of Decision.

NRDC terms livestock numbers the central issue in range management. Most range scientists would disagree with, or at least qualify, such a statement. There are range plants and range sites that are preferred by livestock. Whether there are 10 cows or 100, they will graze the same plants in the same areas. Seasons of use and livestock distribution are both more significant to range improvement than are numbers in most areas.

The Utah report cited is an evaluation designed to locate potential weaknesses in a program and develop corrective measures. Field personnel should be moving to correct any weaknesses revealed in the evaluation. That is its function.

3) Plans postpone decisions - RMP's do not postpone decisions. They provide guidelines within which decisions are made by establishing objectives and management direction for the planning area.

4) Plans do not control future management - The objectives and management direction established in the RMP are the guidelines for future management.

5) Plans are not comprehensive - All the resource management plans prepared by BLM are required to be comprehensive, that is, include all the resources or programs within the planning area. Since decisions of the Bureau have to conform to the plan, there must be an element in the plan for a decision on any resource or use to be made. This question demonstrates the possible confusion, however, between an issue-driven planning process and the comprehensive nature of the limited number of issues which need to be resolved, reflecting the decisions yet to be made. Major attention is devoted to alternative ways to resolve these issues. Less attention is devoted to resources in which there is no issue, but they must still be included in the adopted plan for decisions to be made.

In a few of the early RMP's, the final plan omitted some of the resources or uses in which there was no issue. For example, the Shoshone-Eureka RMP left out oil and gas because it was (rightfully) not considered an "issue." When brought to the attention of responsible management, an element for oil and gas was included. Since then, we have strengthened our guidance and training so that all RMP teams and managers understand that RMP's are issue driven and comprehensive.

6) Plans do not provide for multiple use management - Livestock grazing is one of the multiple uses that the Congress provided for in law. Each EIS includes the forage demands of wildlife, wild horses and burros, as appropriate, and watershed protection. Where forage production can be increased through improved range condition, it is in the interest of multiple use and sustained yield objectives to expect increased livestock and wildlife production.

7) Plans will not improve conditions - This statement is not consistent with BLM experience in areas such as the Vale District in Oregon where land treatments have provided management flexibility to more than double the production on associated native ranges. This same effect can be demonstrated on smaller areas throughout the West.

8) Plans deny meaningful public participation - All RMP's are developed under the statutory requirements of FLPMA and NEPA. The public participates in scoping (identifying the issues), in reviewing the planning criteria, in commenting on the draft RMP/EIS, and possibly in protesting the final plan. Our experience is that there is extensive public participation throughout the process. We are currently developing Supplemental Program Guidance for each of 26 resource programs and factors. Notice of this was published in the Federal Register, and hundreds of copies were sent out for potential review and comment. Opportunities are available for public participation.

Draft plans have been revised to reflect public comments. In some cases, the Director has directed that a complete new draft or supplement be prepared to address public comments. There are two major protections to ensure that BLM is responsive. First, the Governor of each State reviews the proposed plan/final EIS to ensure consistency with State and local plans, policies and programs. All of the 21 approved RMP's had Governor findings of consistency. Secondly, the Bureau receives a substantial number of protests on the proposed plan by individuals and groups who participated in the planning process. As of February 1986, BLM had completed 40 RMP's to the protest resolution stage. Six of these had no protests; we received 183 protests on the remaining 34.

Contrary to the assertion, administrative protests are not "uniformly denied." The Director has given instructions for changes or additions in a number of the proposed RMP's, in response to his upholding the protestor rather than the State Director. The Director has also issued a remand to a State Director, based entirely on protests to the proposed plan, requiring him to prepare a supplement to an RMP.

The important point is this: By the express order of the Director, every protest is given careful consideration by the staff of the Division of Planning and Environmental Coordination, in consultation with the concerned resource program staffs, and sometimes the Solicitor. Each protest decision is based on a careful review of the planning record, legal and procedural requirements, and on detailed responses to questions posed to the affected State Director. Each protest is addressed on its own merits, and there is no uniform denial of administrative protests.

Post-plan decisions are published in documents called Resource Program Summaries (RPS's) and subsequent RPS updates. The public is informed, on a program level, through these documents. Additionally, anyone whose interest is affected and who has participated in a planning exercise can, for the asking, receive copies of individual grazing decisions when they are issued to the operator. Protests and appeals can be filed under the same time constraints that the operator is given.

Conclusion: As all studies indicate, the overall condition of the public rangeland is the best it has been this century; and the trend is improving. The planning process is open to any person with sufficient interest to get on the ground and get involved.

BLM is of the opinion that these are the goals, requirements, and intentions of the Congress for the public lands.

Question: If there are approximately 350 RMPs and MFPs, why do you plan to only monitor 103 plans? (p. 128)

Answer: There are not approximately 350 MFP's and RMP's. There are currently 21 approved RMP's. Another 27 are in draft and final, and approximately 26 are in preparation. The 350 MFP's you mention refers to the number of MFP's completed prior to FLPMA. Post-FLPMA a number of these were replaced by Transition MFP's which consolidated several of the "older" MFP's. Thus, the exact number of MFP's currently in place is less than 350. In addition, it has been determined that the MFP's in place in those areas where RMP's are in preparation are no longer adequate - this is why they are being replaced by RMP's. It would be inefficient to monitor plans already determined to be inadequate; it would also not make sense to monitor plans in preparation. This leaves approximately 150 MFP's and 21 RMP's subject to monitoring. Plans are formally monitored on a scheduled basis, and each State sets up a formal monitoring process which involves State office and State Director participation. Generally 5 to 10 plans are formally monitored per year per State, and funds are programmed accordingly. Informal monitoring is done by the district offices on an ongoing basis. If informal monitoring indicates that a potential problem exists, formal monitoring may be scheduled. The 103 units shown in the Budget Justifications reflect formal monitoring units planned in FY 1987.

DATA MANAGEMENT

Question: Your justification (p. 130) refers to three automated data systems that ensure proper management of mineral leases. How do these systems tie-in to MMS royalty collections, if at all?

Answer: The Solid Leasing Mineral System (SLMS), which includes the Automated Coal Lease Data System (ACLDS) and the Oil and Gas Lease Inventory and Inspection System (OGLIIS), often referred to as Mineral System 1 (MS-1) do not directly tie into the Minerals Management Service (MMS) royalty collection activity. However, information contained in the system consists of lease ownership, well, mines and their location and status, facilities, equipment used, operator and Bureau agreements, approvals of operations, inspection and enforcement actions, inspection priority, and production verifications. These files are analyzed as the operator reports production and sales to the Bureau and MMS. If an anomaly is identified by the Bureau, the MMS may have to collect additional royalty. Planned enhancements and conversion of MS-1 to microcomputers will provide the capability to track well and production activity.

The Lease Management System (LMS) is a BLM-MMS effort to integrate MS-1 data with MMS royalty collection (systems).

Question: What kinds of Geographic Information Systems are you developing?

Answer: The Bureau is presently maintaining and enhancing an operational geographic information system (GIS) which uses the MOSS family of software. This system has been implemented in a limited number of field offices. BLM is the lead agency in Interior for developing MOSS enhancements.

The Bureau has identified two major GIS applications which must be met in the future. The first is a GIS application for producing records data in a spatial format. This GIS capability will:

a. Eliminate the need for labor-intensive manual updating of the Master Title Plats,
b. Allow graphic portrayal of complex records data for analytic purposes, and
c. Allow transfer of spatial data to other agencies.

The other GIS application needed will be the overlaying of records and resource data to speed decisionmaking.

The Bureau's main effort is focused on developing functional requirements for the above applications. After these requirements are completed, existing GIS technologies will be analyzed to determine which system will meet the Bureau's needs in the most cost-effective manner.

Question: What functions will be enhanced by such systems?

Answer: Through the use of the present and future GIS technology, the Bureau is attempting to enhance analysis capabilities for resource management decisions. A GIS is much more efficient than manual mapping and overlay analysis methods and enables us to fulfill our mission more effectively. Managers can now analyze resource trade-offs without devoting weeks of scarce staff time in research. Previous manual methods were time-consuming and of limited benefit. Automating the resource data has given the Bureau a powerful tool in analyzing resource conflicts and trade-offs and has helped Bureau managers in making more informed decisions.

GIS has numerous applications in resource management. Several of the most significant applications are:

1. Drainage Detection: GIS can be used to identify wells that have the potential for illegally draining oil and gas from Federal reserves.

   Thirteen factors are used in a drainage detection analysis. GIS assists in performing this analysis, thereby enabling staff to analyze in hours what formerly took weeks. The time savings result in the Bureau's being able to perform drainage detection analysis on more areas, thereby ensuring that the Federal Government is receiving payment for its minerals.

2. Applications for Permit to Drill (APD's): GIS can be used to process APD's more quickly by displaying areas of critical environmental concern. It shows the areas of resource conflict and can be used to develop mitigation and lease stipulations.

3. Coal Tract Delineations: By applying unsuitability criteria, GIS can rapidly display areas suitable for coal leasing. Logical mining units can be developed and coal volume determinations made. The previous manual system was arduous, requiring many workmonths of effort. With GIS, tracts can be delineated in days.

4. Timber Sales: GIS can be used to plan timber sales and identify areas best suited for the various harvesting methods. Additionally, GIS can be used to estimate the amount of resource available for sales.

Many other functions can similarly be enhanced. Comprehensive resource management planning, environmental analyses, mineral assessments, and land conveyance work can all be enhanced by application of GIS technologies.

Question: In what areas do you interact with the Geological Survey? Is it in this area that you are digitizing the land survey data from Cadastral Survey records or is it part of ALMRS?

Answer: The Geological Survey (GS) receives data on land surveys from the BLM Cadastral Survey. The Geological Survey then develops its base maps from this data. Presently, the Bureau's GIS uses these base maps to digitize resource and ownership data.

The Bureau is developing a Geographic Coordinate Data Base (GCDB) in cooperation with GS. The data for this system will be derived from our cadastral surveys and from data in GS's National Digital Cartographic Data Base. The GCDB will be used to link GIS applications and ALMRS applications so that data can be exchanged between the two systems. Additionally, the GCDB will use standardized data that will enable the BLM systems to exchange data with GS and other Federal, State, and local agencies.

Question: What progress are you making in upgrading your Automated Data Processing systems?

Answer: The Bureau's ADP modernization study is being conducted under contract with American Management Systems, Inc. The study began in July 1985 and is expected to be completed by the end of FY 1987. Preliminary assessments of current and projected requirements have been completed. We are presently reviewing and refining these results before proceeding with a feasibility study of alternative technical concepts.

We expect to issue a request for proposal (RFP) for ADP equipment and communications early in FY 1988, with contract award and initial procurements in FY 1989. Some interim upgrades to existing Honeywell and Data General computer systems may be necessary to satisfy workload requirements through FY 1988. To the extent practical, existing ADP requirements contracts and Government-owned excess equipment will be used to meet our needs.

Question: What systems will end up being decentralized?

Answer: New ADP applications will be designed and developed for decentralized operation whenever that is technically feasible and is the most cost-effective solution to the functional requirement.

We anticipate the redesign of some current centralized systems for decentralized operation. However, specific systems and timetables have not been identified. The software analysis portion of our modernization study will develop information that will assist us in those decisions.

Question: What systems will remain centralized at the Denver Service Center?

Answer: We expect that many of our existing centralized systems will initially be converted to the replacement equipment at DSC, and for some period of time will continue to operate in a centralized mode. However, as resources permit, we will be redesigning these systems for decentralized operation when that is technically feasible and cost-effective. We believe that practically all of our Bureauwide, standard applications that include management reporting will have both centralized and decentralized operating components to satisfy user needs by particular location or organizational level. ALMRS and most of our administrative applications are examples.

Question: What specific upgrading actions do you plan in FY 1987?

Answer: We are approaching saturation on our DPS-870 mainframe and some of the State Office minicomputers. We will attempt to acquire excess Government-owned Honeywell equipment that is compatible with existing systems. We also plan to acquire several minicomputers from an existing requirements contract to satisfy new GIS workload. These GIS computers will be located in various State or field offices.

Question: Do you have an overall plan and schedule for digitizing manual systems and hard copy record systems for the Bureau? If so, please provide it for the Committee files.

Answer: BLM is an active member of the Department's Interior Digital Cartography Coordinating Committee (IDCCC). IDCCC is investigating the advantages of interagency digitizing specifications and procedures for enhancing data exchange. The intent of the IDCCC is to provide all Interior agencies an integrated plan and approach for the digitizing of data commonly used by all agencies and standards (manuals) for the exchange of digitized data.

CADASTRAL SURVEY

Question: What is the extent of contract surveying and surveying by other Federal agencies, by individual agency?

Answer: The BLM FY 1986 cadastral survey program has contracted for $6.4 million in professional services of which $3.5 million are for surveys. The Bureau of Indian Affairs contracted with BLM for $940,000 of surveys in FY 1986. The Forest Service and National Park Service make extensive use of private contracts for surveying Federal boundaries, but they do not report to the BLM the nature or extent of the contracts.

Question: What kind of quality control do you exercise over these other surveys?

Answer: BLM inspects 15 to 20 percent of the fieldwork of all contracted surveys executed. In addition to the field inspection, each contracted survey receives the same rigorous office review we perform on our own survey work prior to acceptance into the official records of the United States. Survey contracts issued by other Federal agencies are not submitted to BLM for review or acceptance into the official records of the United States. However, these surveys do purport to show boundaries of Federal lands, and may violate 43 USC 2, 14, 17, 52, and OMB Circular A-123.

Question: What reimbursements do you receive from individual agencies and for what specific areas? Please provide data for FY 1985, FY 1986, and FY 1987 for the record.

Answer: In FY 1985 a total of $4.2 million was obligated by other Federal agencies and Indian tribes for reimbursable surveys executed by BLM. Approximately $1 million of this was obligated by BIA, $2.2 million by USDA-Forest Service, and the remainder by various tribes and other Federal agencies. During the first 6 months of FY 1986, $1.6 million has been obligated for surveys by the Forest Service, $940,000 by the BIA, and approximately $340,000 for various Indian tribes and other Federal agencies. By the end of FY 1986 we expect total reimbursable obligations for survey to be near the FY 1985 level. We do not have figures for FY 1987, but we expect very significant reductions in reimbursable surveys.

Question: What percent of the public lands has been originally surveyed? When is it expected that original surveys will be complete?

Answer: Approximately 73 percent of the original public lands have been surveyed. In States other than Alaska, we estimate less than 5 percent of the unsurveyed public domain will never be surveyed. The majority of the unsurveyed areas in these States are either wilderness areas, national park lands reserved for the National Forest System, or are economically unfeasible to develop for any natural resource and will never require a survey.

Question: How are priorities for surveying determined?

Answer: Priorities for surveys planned in the lower 48 States are determined independently in each of BLM State Offices through coordination with the Interagency Cadastral Coordination Council (ICCC). Alaska surveys are prioritized by ICCC through the Alaska Patent Plan Process, with all work facilitating the transfer of ownership to Native corporations, the State of Alaska, and other private rights entities.

Question: What is the split of work between original surveys and resurveys?

Answer: In FY 1985 BLM completed 8,045 miles of resurvey and 3,490 miles of original surveys, of which 90 percent of the original survey miles completed were in Alaska.

Question: What areas are your highest priorities and why?

Answer: Our highest priority areas for original survey are those areas of Alaska identified for patenting to the State, Native corporations, and individuals. In the lower 48 States the resurveys of the Powder River Basin of Wyoming, the Lake Tahoe area of California, the Front Range of Colorado, the Navajo Reservation of Arizona, and the Passamaquoddy Tribe, et al. of Maine are the highest priorities.

Question: Please explain the survey problems in the Powder River Basin and your program to address them. What happens to lease holders in the interim?

Answer: Original surveys were conducted in the late 1800's in the northeast quadrant of Wyoming by contract surveyors. About 378 townships in this area require resurveys, and of these, 107 townships have been identified as distorted and in critical need of resurvey because of the value of the subsurface Federal mineral estate.

A resurvey does not "correct the errors," but retraces the footsteps of the original surveyors and locates the original stone or wood monuments. In the absence of original corner evidence or other collateral evidence, proper mathematical restoration from the found evidence is utilized for the remaining corners.

Because of the discrepancies between the original "square" survey plats and the actual ground locations of the monuments, the locations of many physical improvements (such as oil wells) end up in different sections and possibly in different ownerships.

We are presently reviewing the results of the completed resurveys to determine the extent of the conflicts. The oil and gas leases will then be amended to describe the correct ownership pattern.

Question: You are reducing Alaskan surveys by $3,990,000, a 27% reduction? (p. 139) How much does this prolong the program to transfer lands to the State and natives?

Answer: Continued funding at this level will increase the time estimated to complete the surveys required to patent all State and Native entitlements from the current estimate of 40 years to 50 years.

Question: Most of the reduction is in "other services." What other services?

Answer: "Other services" are cadastral surveys performed by contract.

Question: Why reduce the survey force that will be required over a long period of time?

Answer: Work force reductions (full-time equivalent positions) would be only those people needed to support contract surveys.

Question: Your base program suggests that the survey emphasis is shifting to lower acreage, more complicated surveys. How much, if any, of the anticipated decrease in workload is because of this shift?

Answer: There is no anticipated decrease in workload. The shift in emphasis from large rectangular surveys to small tract surveys is to facilitate the Patent Plan Process. The result is that fewer acres are completed with a fixed funding level because the remaining inholdings involve running more lines but enclosing fewer acres.

Question: Please explain the current controversy on submerged land conveyances in Alaska.

Answer: There are several controversies. First, if submerged lands are beneath navigable waters not reserved at the time of statehood, such submerged lands passed to the State upon the attainment of statehood. Under this controversy, there are several cases challenging the legal standards for establishing navigability of inland waters for title purposes. There are also cases challenging the land under waters alleged as "reserved at time of statehood."

The second controversy arose out of a legislative attempt to moderate the first group of problems in Section 901 of the Alaska National Interest Lands Conservation Act (ANILCA). The State was given a five-year statute of limitations within which to challenge a finding of non-navigability in a conveyance to a Native corporation. The State and others have challenged the constitutionality of such a limitation.

The third controversy arose out of concerns by Native corporations and the State over the interpretations on ANCSA and the Alaska Statehood Act. The Department had charged the acreage in submerged lands beneath non-navigable waters or waters reserved at the time of statehood to the acreage entitlement of the State and Native corporations. In December 1983, Secretary Watt reversed these interpretations and ordered submerged lands beneath rivers 198 feet wide (or more) or lakes larger than 50 acres not be charged to acreage entitlement of the State and Native corporations. Title would pass as a matter of riparian law. The Wilderness Society and the Sierra Club challenged Secretary Watt in Federal court over the administrative process. After the suit was filed, but before it was argued, new regulations were adopted confirming Secretary Watt's position.

Question: What is the status of the lawsuit filed by the Wilderness Society and the Sierra Club?

Answer: The U.S. District Court in the District of Columbia ruled that the plaintiffs did not have standing to bring such a suit. To date none of the plaintiffs had been injured by the new interpretation and the new regulations. On March 27, 1986, the plaintiffs filed notice of intent to appeal to the U.S. Court of Appeals.

Question: What actions, if any, are contemplated to address this problem legislatively?

Answer: A bill has been introduced by Senator Murkowski, S. 485, which would do the following things:

1) Abolish the statute of limitations on the State of Alaska;
2) Confirm the policy of not charging acreage to State and Native entitlement beneath large bodies of water;

3) Confirm charging entitlement beneath small bodies of navigable water if reserved at time of statehood;
4) Confirm the passage of title to submerged lands belonging to the United States to the adjoining upland owner in accordance with riparian law; and
5) Confirm a Memorandum of Understanding between the United States and the State of Alaska concerning time table procedures and reimbursement by the State to BLM for the retroactive recalculation of acreages conveyed to the State in prior conveyances.

Question: What is the Department's position on this problem?

Answer: The Department supports the passage of S. 485 introduced by Senator Murkowski. Our present policy (December 1983) concerning the method for surveying riparian lands/submerged lands is consistent with the Manual of Instructions for the Survey of the Public Lands of the United States, 1973, and numerous court cases. The 1973 Manual of Surveying Instructions requires rivers over 3 chains (198 feet) wide and lakes greater than 50 acres to be meandered, regardless of navigability.

RESOURCE PROTECTION

Question: What kind of monetary and other support is provided to States and localities under cooperative law enforcement agreements?

Answer: In connection with the administration and regulation of the use and occupancy of the public lands, the Secretary is authorized to cooperate with the regulatory and law enforcement officials of any State or political subdivision thereof in the enforcement of the laws or ordinances of such State or its subdivision. Such cooperation may include reimbursement to a State or its subdivision of expenditures incurred in connection with activities which assist in the administration and regulation of use and occupancy of the public lands.

Law enforcement agreements are used by the Bureau when reimbursements to a State or subdivision are anticipated. These arrangements set forth the responsibilities and expenditures of the Bureau and the cooperating agency.

Question: You do not show any increase in agreements in FY 1987. (p. 146) Is that because of fiscal restraint or because the law enforcement framework is now in place?

Answer: The Bureau is attempting to maintain the level of law enforcement protection provided in the FY 1986 budget. Because of restrictions imposed by the Gramm-Rudman-Hollings Act, the Bureau does not anticipate a capability to increase any law enforcement service. This includes any increase in capability by special agents, law enforcement rangers, or law enforcement agreements.

Question: In what areas do you provide direct BLM protection? How many personnel are involved in such work?

Answer: The Bureau employs special agents and law enforcement rangers. Bureau special agents perform the criminal investigative and administrative functions of the law enforcement program within the Bureau. Rangers perform the patrol function. Special agents and rangers combine their efforts to enforce Federal laws and regulations relating to the protection of the public lands and their resources.

The following depicts current distribution of Bureau law enforcement officers:

State	Special Agents	Rangers	FY 1986 Authorized Ranger Expansion
Alaska	1		
Arizona	2		2
California	3+ (1 vacancy)	19	2
Colorado	1		
Eastern States	1+ (1 vacancy)		
Idaho	1		2
Montana	2		
Nevada	2		2
New Mexico	2		2
Oregon	2+ (1 vacancy)		2
Utah	2	2	2
Wyoming	2		
Headquarters	3		
Total	24+ (3 vacancies)	21	14

Question: In your interagency cooperative program on marijuana control, is spraying of plants used? Was it necessary to do an Environmental Impact Statement to be able to do this?

Answer: On October 6, 1985, a cooperative marijuana eradication effort with the U.S. Drug Enforcement Administration (DEA) was conducted on Bureau land near Hope, New Mexico. Aerial spraying with Glyphosate was conducted. The entire spraying project was conducted in accordance with the "Final Environmental Impact Statement on the Eradication of Cannabis on Federal Land in the Continental United States," DEA-EIS-1, July 1985.

MAINTENANCE AND ENGINEERING

Question: Your justification states that the budget provides a total of 3.3% of the capital investment cost for maintenance and engineering services (p. 150) How is it determined that this is adequate?

Answer: We have made no determination that 3.3% of the capital investment cost for maintenance is adequate.

Question: How does this compare to general statistics for the same type of investments?

Answer: There seems to be no direct correlation between maintenance expenditures and capital investment costs due to the large variations caused by age, type, location, and use of facilities. However, it is likely that 3.3% is at the low end of the spectrum of comparable expenditures by other agencies.

Question: The justifications state on page 151 that you have 1,400 buildings, and on page 164 that you have 1,563. How many do you have?

Answer: The difference in numbers of buildings results primarily from differing definitions of what constitutes a building. The 1,563 number represents the number of "structures" carried on the GSA records for BLM and includes such things as roofed picnic shelters, radio equipment shelter boxes, etc., which require minimal, if any, maintenance expenditures. The 1,400 number more closely represents true "buildings," such as office buildings, warehouses, garages, shops, etc. The number of buildings can change rapidly as buildings are acquired or disposed of in various ways.

Question: You are reducing recreation maintenance in FY 1987 by $400,000. (p. 152) Is recreation use expected to rise? If so, how can you reduce maintenance?

Answer: Recreation use will very likely increase. Even though we are reducing funding, we expect to accommodate the increased use by concentrating our maintenance efforts on areas of highest use, and deferring maintenance on little-used or undeveloped areas.

Question: You say (p. 152) that you will defer the removal of 40 hazards in FY 1987. You also say you will continue to maintain sites in a "hazard free" condition. How can you do both?

Answer: It would have been more accurate to say that the sites in use will be maintained in hazard-free condition.

Question: As requested in last year's report you have provided a summary report on the condition of BLM facilities. It shows that except for buildings, the vast majority of BLM facilities are in fair or poor condition. On that basis, will the FY 1987 budget request be able to improve the condition of facilities, or will they remain the same, or will they get worse?

Answer: We expect to accomplish some of the facility condition improvements in FY 1986, and expect facilities to remain basically in the same condition.

Question: Do you have an overall plan to improve the condition of your facilities? If you don't, why don't you? If you do, will the budget allow you to carry it out?

Answer: We are developing an overall facilities condition plan which is expected to be completed by August.

GENERAL ADMINISTRATION

Question: Please explain the substance of the recent reorganization in your Washington headquarters.

Answer: The Washington Office of the BLM was reorganized effective April 13, 1986. The reorganization eliminated an entire managerial layer. The reorganization is designed to ensure that management, budget, personnel and finance functions will be integrated to respond to current mandates for economy and efficiency in government operations. In the previous organization, an excessive number of distinct functional entities reported separately to the Director. This change will ensure that the organization's management functions will receive necessary coordination, and that oversight by the Bureau's external constituencies — Congress, the media, the public, and interest groups — is properly served.

Question: How much will be saved by this reorganization?

Answer: As a result of the reorganization, the Washington Office will operate with 85 fewer positions. Included in the total of 85 are two SES positions which will be eliminated.

Question: What effect does it have on field organizations?

Answer: The Bureau's field organization does not mirror the Headquarters office. Consequently, there should be no field organizational impact. The field offices will benefit from the reallocation of many of the 85 positions reduced from Headquarters for their "on-the-ground" work in support of Bureau programs.

Question: Please provide a summary of the size of the Denver Service Center, the personnel located there and the programs from which it is funded. Provide comparisons for FY 1985, FY 1986, and FY 1987.

Answer: The Denver Service Center receives funding to provide support for nearly all Bureau programs that are covered by the Management of Lands and Resources appropriation. This includes programs such as energy and minerals, lands and realty management, renewable resources, cadastral survey, data management, and general administration. The Service Center's full-time equivalent (FTE) employment and operating budget for 1985-87 is as follows:

Fiscal Year	FTE	Operating Budget $000's
1985	535	24,480
1986	529	21,968
1987 - Estimate	524	21,718

Question: Please explain how much of the assumed reduction of $1,384,000 and 45 FTEs as a result of management initiatives (p. 162) has been accomplished and how.

Answer: Since these numbers represent savings that would occur upon approval of the FY 1987 budget, significant and specific implementation actions are well underway. The BLM is working toward the Departmental goal of a ratio for servicing personnel offices of one personnel worker for every 60 employees to be accomplished by the end of FY 1988. About 30 FTE and $918,000 in savings budgeted for FY 1987 are a part of that goal. Since FY 1984, the Bureau has reduced its personnel operations FTE's by about 40. This has been accomplished through office consolidations and other methods of streamlining.

A total of 13 FTE and $388,000 savings will be accomplished in several areas. Procurement staffing is being realigned to achieve a more efficient procurement organization. Also, purchasing functions are being consolidated in cities where State and District Offices are located. A new vehicle management system will begin on October 1, 1986. This system will involve much less paperwork on the part of vehicle users and will reflect savings in program areas as well as general administration. A new property inventory system was started in October 1985 implementing a much simpler property inventory and saving several workmonths in the process. A new "bar coding" system will achieve the remainder of the savings by the end of FY 1987.

The Headquarters Budget Office anticipates further savings by not filling two positions.

The Bureau has also encouraged more streamlining and consolidation of general administration activities in each of its offices. It is expected that these offices will continue to reduce the cost of general administration in FY 1987 and beyond.

Question: On what basis were GSA rates reduced by 15% in FY 1987 from original estimates? (p. 170) Does this mean that these charges will rise in FY 1988?

Answer: In FY 1987, the Standard Level User Charge (SLUC) will be replaced by "Rent", a new system to charge agencies for space and related services. The Bureau's FY 1987 space estimate is based on GSA's commercially equivalent rates under the Rent system, less 15 percent.

Based upon direction from the Office of Management and Budget to help reduce spending within the Federal Government, GSA reduced their FY 1987 appraised rental rates for all buildings by 15 percent. A May 16, 1985, memorandum from GSA indicates that the full commercial equivalent rental rates will be scheduled for implementation in FY 1988.

Question: How many phone systems are you expecting to procure in FY 1986 and FY 1987? (p. 170)

Answer: The Bureau plans to replace 14 telephone systems during FY 1986 and 56 systems in FY 1987.

Question: On what basis have you estimated the increased cost for FY 1987?

Answer: The Bureau plans to withdraw from GSA Consolidated Service at 33 separate locations. We expect to take this action based upon studies which show major savings to the Bureau as a result. These systems are currently rented at a cost of $1,578,240 per year. We show that we can replace this service with Bureau-owned systems at a total cost of $2,211,000 including maintenance for one year.

The Bureau also plans to replace 23 existing telephone systems which are being leased from local telephone companies. The average increase of 12.5 percent in leasing costs plus the estimated average $3.50 per station/month maintenance fee which begins January 1, 1987, makes this an opportune time to replace these systems with government-owned systems. These systems are estimated to cost the Bureau $667,000. Annual leasing costs for these systems amount to $314,000.

Replacing both categories of equipment can result in a significant savings to the Government over the next 10 years. Costs of replacing both categories of equipment is $1,269,000 over the estimate for telephone service if leasing were continued.

Question: For change of duty station you estimate that costs will be $2,013,000 above the base. (p. 170-171) If costs in 1984 were $4.3 million as you say, why is the FY 1987 base only $3.1 million?

Answer: Permanent change of duty station costs for FY 1984 included many one-time move expenses associated with the BLM/MMS merger that took place in FY 1983. The FY 1987 base of $3.1 million does not include those one-time merger expenses; and it does reflect efforts by the Bureau to carefully control the number of moves, thereby reducing costs. The base does not reflect the estimated additional 1987 funding needed to cover the Bureau's share of a relocation services contract as authorized by P.L. 98-151. The relocation services contract, which GSA recently established at the Department's request, will cost the Bureau about 22 percent commission on the value of residences sold under this contract. An analysis indicated the cost of this service to the Bureau for FY 1987 is $1,439,000. This is in addition to our current estimate for relocation income tax (RIT) costs (also authorized by P.L. 98-151) of $574,000. The total increase above base, therefore, is $2,013,000.

BLM - FOREST SERVICE INTERCHANGE

Question: What is the status of proposed legislation for the land interchange between BLM and the Forest Service?

Answer: The legislative proposal for the BLM/FS Interchange Proposal was transmitted to Congress in February 1986 by Secretary Hodel and Secretary Block. The legislation transmitted to Congress has been introduced in both the Senate and the House (Bill numbers SB 2289 and HR 4303, respectively).

Question: What are the advantages and disadvantages to splitting the mineral leasing functions between the two agencies?

Answer: The only disadvantage of placing the minerals functions in both BLM and the FS is the possibility of policy and procedural divergence between the BLM and FS which could complicate industry practice. However, policy coordination agreements and appeals between the agencies will minimize this occurrence.

Advantages of the interchange proposal include shorter processing time; improved coordination of surface and subsurface uses; improved planning and coordination of minerals management on FS lands; greater opportunity for users to take care of all business at one location; and in the East there will be increased industry accessibility to records.

Question: Would regulations be identical? Isn't there a danger that regulations would be interpreted much differently by each agency?

Answer: The FS proposes to generally adopt existing Department of the Interior regulations relating to minerals and, to the maximum extent feasible, provide consistency between existing BLM instructions and those which would be issued by FS when it begins to implement its new mineral policy. In addition, the BLM Assistant Director for Energy and Mineral Resources (with appropriate staff) and FS Deputy Chief, National Forest System (with appropriate staff) will meet on a regular basis to address mineral policy coordination and development.

Question: Would we then have two SIMO systems, for example?

Answer: No. The BLM Wyoming State office would continue to operate the SIMO system by accepting applications and conducting the drawings. The FS would prepare the list of parcels for its jurisdictional lands, and BLM would continue to prepare its own list.

Question: How would this affect coal leasing programs, for example, which are national in scope? Would the Secretary of Agriculture approve some, and the Secretary of the Interior others?

Answer: The general leasing program would not be changed. The current program relies heavily on the planning process and input from regional coal teams (RCT's). The FS has been involved in both the planning and as an ex officio member of the RCT's.

Who would make national leasing policy decisions?

Answer: Decisions which are national in scope affecting both BLM and the FS would require coordination and agreement between the Secretaries of the Interior and Agriculture.

CONSTRUCTION AND ACCESS

Question: Do you have an overall plan for construction of needed facilities? If not, why not? If so, what are your long-term needs for construction and how do you plan to implement them?

Answer: BLM currently does not have an overall plan for construction of facilities. The field has, however, identified potential construction projects as part of BLM's internal FY 1988 Budget process. These will be analyzed and evaluated by the BLM Headquarters office for further planning purposes.

BLM does not maintain an overall construction plan because in recent years, the Bureau has been shifting focus to maintenance of its existing infrastructure and ensuring that existing facilities are being properly maintained. In addition, given the emphasis being placed on reduction of the Federal deficit, BLM is emphasizing programs and priorities other than construction.

Question: What are your highest priority needs?

Answer: BLM does not have a Bureauwide prioritized list of construction projects as indicated in the response to the previous question. The Bureau is channeling funds to other priority programs.

Question: If you have an overall plan, please submit it for the Committee files.

Answer: BLM does not have such a plan.

Question: On what basis do you decide when to purchase easements for access to public lands?

Answer: Easement needs are identified in the planning system as a result of management needs as well as public requests for access. Easement needs are then prioritized and acquired based on availability of funds.

Question: Please provide for the record the number of easements and their value purchased, by State, for the latest two years for which you have data.

Answer: Following is a table listing the requested information:

State	Number of Easements		Value	
	1984	1985	1984	1985
Arizona	2	3	$ —	$ 600
California	56	33	46,515	30,960
Colorado	13	14	13,043	20,987
Idaho	13	24	74,285	550
Montana	8	9	17,800	10,629
Nevada	6	16	—	—
New Mexico	11	5	4,955	2,425
Oregon	26	42	43,110	154,130
Utah	11	16	6,082	13,203
Wyoming	9	10	6,785	4,750
Total	155*	172*	$212,575	$238,234

* Reciprocal or cooperative agreement easements received with no monetary consideration paid: 1984 = 30; 1985 = 66.

Question: What areas do you already know are of high interest?

Answer: All Western States are experiencing an increase in the demand for recreational access to public lands. Areas of particular interest are in Montana, Colorado, Wyoming, Idaho, and California where access to public land is blocked by private landowners. Cases currently in conflict include Palm Livestock in the Rawlins District of Wyoming, Tom Clark in the Montrose District of Colorado, and Hallmark in the Medford District of Oregon.

LAND ACQUISITION

Question: Are there areas, particularly near or adjacent to nationally designated areas or wilderness study areas that are the subject of potential development that would threaten the integrity of these areas?

Answer: To the best of our knowledge there are no such areas. It must be pointed out, however, that with approximately 861 wilderness study areas encompassing approximately 25 million acres located in 10 Western States, it is possible that private or State owners may be contemplating proposed developments. Plans for such development may be highly speculative or may only be in the formative stages. In BLM's FY 1986 budget, approximately $500,000 was appropriated to acquire non-Federal inholdings located within designated wilderness areas.

Question: Do you have a planning program that develops potential land acquisitions for these or other areas? Have you identified any such acquisitions?

Answer: Yes. The Bureau planning process provides for identification of acquisition needs in these areas. Acquisition plans are developed in conjunction with activity plans. The following is a list of proposed acquisitions developed by field offices through the planning process that appear to be needed to deter potential development that could impact designated areas. In addition to the nationally designated areas, other areas such as cultural sites, areas of critical environmental concern (ACEC) and critical wildlife habitat areas in which development is an issue are identified.

State	Project Name	Type of Designation	Acreage	Value
Alaska	None	—	—	—
Arizona	Paria Canyon Wilderness	1	197 (F)	$ 68,950
	Mt. Logan Wilderness	1	40 (F)	8,000
	Cottonwood Pt. Wilderness	1	190 (F)	76,000
California	King Range NCA	2	1,000 (F)	2,850,000
	Bizz Johnson Trail	3	209 (E)	700,000
	North Fork American River	4	(F)	1,500,000
Idaho	South Fork Snake River	6,11	1,700 (F)	1,750,000
	City of Rocks	5	400 (F)	200,000
	Bruneau River	6,11	240 (F)	120,000
	Owyhee River	6,11	836 (F)	352,000
	Oregon Trail	3	876 (E)&(F)	557,400
	Birds of Prey	7,11	359 (F)	153,000
	Big Wood River	11	500 (F)	200,000
	Vineyard Creek ACEC	11	40 (F)	18,000
	Canyon ACEC	11	280 (F)	42,000
	Sands ELK HMP & ACEC	11	8,000 (F)	1,200,000
	Gray's Lake	11	619 (F)	155,000
Montana	Missouri WSR	4	2,200*(F)	3,000,000
	Garnet Ghost Town	5	22 (F)	24,200
	Garnet Ghost Town	5	5 (E)	5,500
	Reynolds Battlefield	5	1,933 (F)	193,260
	Axolotl Lake	11	800 (F)	166,400
New Mexico	Overflow Wetlands HMP	11	964 (F)	340,000
	Canon Topia Arch. Site	8	400 (F)	160,000
	Gila Lower Box	11	680 (E)&(F)	—
Utah	Rock Creek Ranch	9	153 (F)	100,000
	Lookout Pass Pony Express Site	10	160 (F)	24,000
Oregon	Owyhee WSR	4,9	2,250 (F)	350,000
	Owyhee WSR	4,9	750 (SE)	150,000
Wyoming	Burnt Ranch	3	240 (F)	120,000
	Bessemer Bend	3	2 (F)	10,000
	TOTAL	—	26,045	$14,593,710

* Acreage for FY 1987-88 only - Cost is total for project.

1. Wilderness Area
2. National Conservation Area
3. National Historic Trail
4. Wild and/or Scenic River
5. National Register of Historic Places
6. Wild and/or Scenic River (Study)
7. Birds of Prey Natural Area
8. Archaeological Site
9. Wilderness Study Area
10. Pony Express Site
11. ACEC, HMP

F = Fee, SE = Scenic Easement, E = Easement

Question: What work does the land acquisition staff do if there are no acquisitions planned?

Answer: The BLM staff assigned land acquisition responsibilities are also responsible for several other jobs such as forestry, engineering, and realty program activities. This staff is also responsible for easement acquisitions. It should be realized that although no appropriation for land acquisition was requested in FY 1987, carryover funds are available from prior year appropriations to continue acquisitions through purchase and/or exchange in previously authorized areas. The staff is also responsible for these acquisitions.

Question: Page 219 of the justifications shows obligations of $215,000 in FY 1987, and page 221 shows $1,000,000. Which is correct?

Answer: The correct estimate for FY 1987 obligations is $215,000.

PAYMENTS IN LIEU OF TAXES

Question: Please explain why and how PILT payments are expected to increase in 1988 as a result of net receipts sharing initiatives. What would the requirements be without net sharing?

Answer: The net receipt sharing initiatives would reduce the States' share of Federal Timber and Mineral Leasing Act receipts. The States in turn would reduce the amount of these revenues that they pass through to local governments.

Receipt sharing revenues reduce, in part, the amount of PILT passed to local governments. A reduction in the amount of receipts passed through to local governments would, therefore, tend to increase their PILT payments. However, the increases in PILT payments would be limited by a population ceiling and would not always equal the reduction in receipt sharing payments.

Without net sharing, PILT payments would be approximately $105,000,000.

Question: What were the Section 3 payments, by State, for the latest year for which you have data?

Answer: The information is provided in the following table.

FY-1985 PILT

LOCAL UNIT OF GOVERNMENT	PAYMENTS SEC 6904/5
ALABAMA	0
ALASKA	469
ARIZONA	4,920
ARKANSAS	12,305
CALIFORNIA	1,805,362
COLORADO	945
CONNECTICUT	13,509
DELAWARE	0
DIST OF COLUMBIA	981
FLORIDA	340,363
GEORGIA	104,718
HAWAII	0
IDAHO	0
ILLINOIS	2,780
INDIANA	65,043
IOWA	0
KANSAS	0
KENTUCKY	715
LOUISIANA	66,710
MAINE	1,833
MARYLAND	20,877
MASSACHUSETTS	51,087
MICHIGAN	54,175
MINNESOTA	73,612
MISSISSIPPI	60
MISSOURI	926
MONTANA	11,291
NEBRASKA	1,330
NEVADA	33,724
NEW HAMPSHIRE	19,327
NEW JERSEY	18,282
NEW MEXICO	438
NEW YORK	68,479
NORTH CAROLINA	9,564
NORTH DAKOTA	0
OHIO	142,655
OKLAHOMA	0
OREGON	802
PENNSYLVANIA	67,157
RHODE ISLAND	0
SOUTH CAROLINA	15,922
SOUTH DAKOTA	0
TENNESSEE	2,492
TEXAS	72,932
UTAH	223
VERMONT	17,283
VIRGINIA	51,453
WASHINGTON	15,862
WEST VIRGINIA	1,617
WISCONSIN	59,269
WYOMING	31,348
PUERTO RICO	0
VIRGIN ISLANDS	76,379
GUAM	432
TOTALS	3,339,651

Question: If available, provide information as to what lands (by park or wilderness) these payments are for.

Answer: This information is not directly available to BLM.

OREGON AND CALIFORNIA GRANT LANDS

Question: How much funding is included in the O&C appropriation for management of public domain lands?

Answer: The O&C budget reflects the amount needed to manage both O&C and PD forest lands in western Oregon as well as the Coos Bay Wagon Road Lands in western Oregon. We have not attempted to maintain reports accounting for expenditures by category of land status, since all lands are managed for their optimal resource volume in the area, usually commercial timber production, regardless of land status.

Question: For the record please provide a crosswalk of the sources of receipts to each entity for the table on page 251 of the justifications. Also provide what the distribution would be without the net receipts initiative.

Answer: The following table provides the requested information.

Western Oregon Receipt Distribution By Source

Bureau of Land Management

(Dollar amounts in thousands)

Distribution From / To	1986			1987 With Receipt Sharing			1987 Without Receipt Sharing			1988 With Receipt Sharing			1988 Without Receipt Sharing		
	O&C	CBWR	P.D.	O&C	CBWR	P.D.	O&C	CBWR	P.D.	O&C	CBWR	P.D.	O&C	CBWR	P.D.
State/Counties	61,124	580	246	40,100	580	420	65,100	580	420	52,200	580	500	77,200	580	500
Treasury	61,124	4,954	1,236	90,100	6,120	2,100	65,100	6,120	2,100	102,200	7,420	2,500	77,200	7,420	2,500
Reclamation Fund	—	—	4,692	—	—	7,980	—	—	7,980	—	—	9,500	—	—	9,500
Total	122,248	5,534	6,174	130,200	6,700	10,500	130,200	6,700	10,500	154,400	8,000	12,500	154,400	8,000	12,500

Question: Has recreation use increased in the O&C lands in the past few years? Is it expected to increase in FY 1987?

Answer: There has been no significant increase over the last three years, and we do not anticipate any in FY 1987.

Question: Of the amounts of timber being offered, how much is from "Buy back" contracts in both FY 1986 and FY 1987?

Answer: In FY 1986, 350 million board feet is from "buy back" contracts; in FY 1987, the figure is 400 million board feet.

Question: What is the quantitative effect of reoffering this timber on the costs of timber management?

Answer: A greater part of the savings will accrue in timber development and reforestation than in timber management. The sales that were "bought back" will have to be redone to bring them up to the standards of the new plans and environmental impact statements. The majority of the buy-out sales took place before the new plans were completed, thus these sales cannot be reoffered as is. However, savings of an estimated $600,000 are still possible as a result of previously completed work.

The major savings ($2.6 million) will occur in forest development. In order to achieve the current level of allowable cut, certain intensive forest development practices (e.g., precommercial thinning, fertilization, and stand conversion) were required. Since the reoffered timber represents volume not charged against the allowable cut, the intensive forest development practices are not necessary.

Question: How much of the timber offered in FY 1986 and FY 1987 is in the Medford district? When will the timber be offered?

Answer: The full allowable cut for the Medford District is 310 million board feet in FY 1986 and 213 million board feet in FY 1987. The 1986 figure includes 97 million board feet that were not offered in FY 1985 because of an IBLA decision which remanded a timber sale to the BLM until the Record of Decision on the Medford Supplemental Environmental Impact Statement was signed.

At this time we do not know how much of the above volume will be buy-out timber. Buy-out timber is being held for substitution for regularly scheduled sales that may be appealed. The amount of buy-out timber substituted for appealed timber sales in FY 1986 will determine the amount offered in FY 1987.

Question: When will you know whether you will have to offer substitute sales?

Answer: To date, two sales have been appealed, and three sales have been protested. If the protested sales are appealed, then buy-out sales will be substituted. The volume breakdown is as follows:

Total volume under appeal	9.482 million board feet
Total volume under protest	15.140 million board feet

Question: What is the status of the environmental statement on the use of herbicides?

Answer: A Draft Supplemental to the Western Oregon Vegetation Management Environmental Impact Statement containing a worst case analysis has been issued, and the comment period has closed. Response to comments will begin on May 12 with a Final Environmental Impact Statement expected in September. A decision should be issued in the fall.

Question: What results have you gotten out of the Forestry Intensified Research (FIR) program? How do you intend to apply these results?

Answer: The principal research conducted by FIR has been reforestation of harsh sites in southwestern Oregon. This research has provided significant answers associated with the problems of reforesting harsh sites. Research was also conducted on harvesting techniques, and information was provided for economic analysis. New techniques and analysis procedures have been developed which have provided assistance in harvesting these areas.

Information from research conducted on reforestation of harsh sites will be used in re-evaluating the Timber Production Capabilities Classes. Lands that were previously withdrawn from the timber base for allowable cut calculations because of reforestation problems will be restored. Also the results are currently being applied to operational reforestation in the BLM in both western Oregon and public domain forestry.

Question: Are these results applicable to areas other than the O&C lands? If so, are you transferring the results to the Forest Service?

Answer: Information obtained on reforestation of harsh sites can be used particularly for the backlog reforestation program in the public domain States. The FIR Report, a quarterly publication by FIR, is being sent to foresters in the public domain States. Also a meeting was held in Medford, Oregon last October to discuss the backlog reforestation. In conjunction with this meeting, the public domain foresters were exposed to the research that is presently being conducted by FIR and had an opportunity to meet the FIR scientist. FIR research is being applied to backlog reforestation in the public domain States.

The Forest Service is a cooperator in the FIR project and obtains results directly from FIR.

Question: Please describe the planned Coastal Oregon Productivity Enhancement (COPE) research program (p. 283) and its goals.

Answer: COPE is proposed as a 10-year (1987-1996) research program designed to assess the enhancement potential and productivity maintenance problems of the coastal forest lands and their natural resources. The coastal forest lands include all forest lands from the Columbia River to California, from the Pacific shoreline inland to the east slope of the Oregon Coast Range. It is designed to investigate the following: slope stability, fisheries, wildlife habitat, air quality/smoke management, vegetation management, silviculture, forest productivity, forest pathology, recreation, and economics. Cumulative effects of all of the above and the adaptation of the research finding into guidelines for future management through an adaptive COPE technology transfer is the objective.

Question: When would you consider it appropriate to analyze its feasibility?

Answer: At the time the budget justification was prepared, it was thought that the analysis of COPE would be deferred until after FY 1987. However, information is being collected and formulated quicker than anticipated; and it now seems appropriate to analyze its feasibility in the first quarter of FY 1987.

Question: What effect will the reduction of the anadromous fish program have on the recovery of the fish? (p. 290)

Answer: Construction and maintenance of identified projects will be deferred. This may delay anadromous fish recovery in associated project areas.

Question: Why does it take until 1990 to finish all of the Resource Management Plans in Western Oregon? (p. 293)

Answer: Management plans, both resource management plans (RMP's) and subsequent timber management plans, are revised on a decadal basis in the O&C. The current management plans were developed from 1979-1982 basically for the 1980's and are still valid. The revised plans will be utilized during the 1990's. The schedule shown is simply the normal timing of the decadal process.

RANGE IMPROVEMENTS

Question: Please provide a history for the past three years for which you have data of the overall receipts applicable to the range improvement appropriation.

Answer: Receipts for this appropriation are provided by the authorities of the TGA of 1934, the Farm Tenant Act of 1937, and the Mineral Leasing Act for Acquired Lands of 1977.

	$000's 1983	 1984	 1985
Grazing	16,699	15,044	14,754
Mineral	2,103	1,881	1,886
Total	18,802	16,925	16,640

Question: How much do rangeland users assist in rangeland improvements by contributions or direct improvements?

Answer: Contributions of materials, labor, and money for permitted and joint BLM construction costs show that $1.0 million was contributed in FY 1984 and $1.8 million in 1985.

SERVICE CHARGES, DEPOSITS, AND FORFEITURES

Question: Your budget justification (p. 341) states that rights-of-way applications workload is unpredictable. Why is this the case?

Answer: Workload is determined by economic and market factors. When economic activity such as in energy industries and utilities is expanding, BLM workload increases significantly. Workload decreases when the opposite market conditions exist. It is difficult for the Bureau to forecast such market changes with reliability, thus affecting our ability to accurately predict workload.

One of the reasons for establishing the Service Charges appropriation and concept was to provide a better mechanism for the BLM to be able to respond to such swings in economic activities which drive R/W workload. Thus, companies could deposit funds with the Bureau which we could use immediately to process their applications and not delay needed work until appropriations could be obtained through the normal, longer lead-time budgeting process.

Question: How do you determine your workload estimates?

Answer: Estimates are based on past years' actual workload adjusted for current and estimated future demands.

Question: Why are you expecting a workload increase? (p. 347)

Answer: The narrative on page BLM-347 of the Justifications attempts to explain the increase in anticipated receipts. A small part of the increase was related to a minor increase in the number of large R/W cases. In light of recent developments in the oil and gas industry, this projected increase in cases may not be valid. However, we still believe the 1987 receipt estimate is reasonably sound given the unpredictability of the economic climate.

GENERAL

Question: What is the nature of the positions that will be reduced in FY 1987? (p. 409)

Answer: Position reductions in FY 1987 will occur principally in programs which receive funding reductions. Since it is anticipated that these position reductions will be accommodated through attrition, the exact positions or occupational specialties cannot be identified in advance. BLM employs funding allocations along with FTE allocation targets as the means of controlling the overall number of full-time permanent positions within the Bureau. The combination of these two factors has proven to be effective in controlling the number of positions available, while permitting BLM managers the maximum flexibility in terms of the skills mix of their staffs and their full-time/part-time employee ratios.

Question: Based on your experience and harvest level to date, what is the projected harvest level for O&C lands in FY 1986? If this is an increase over FY 1985, what will the impact be on your FY 1987 reforestation efforts?

Answer: The anticipated harvest level for FY 1986 is about 1.385 billion bd. ft. This represents an increase of approximately 35% over the harvest level in FY 1985 and should result in an additional 8,400 acres of reforestation. Of this increased amount, about 2,000 acres would be reforested in FY 1987 above the 23,000 acres shown in the Justifications. Costs of doing this work ($600,000 - $700,000) could be offset by reducing the precommercial thinning workload.

IN REPLY REFER TO:

United States Department of the Interior
BUREAU OF LAND MANAGEMENT
WASHINGTON, D.C. 20240

3162.3-4(630)

April 22, 1986

EMS Transmission - 4/25/86
Instruction Memorandum No. 86-409
Expires 9/30/87

To: All State Directors

From: Director

Subject: Shutting-In Stripper Wells on Jurisdictional Leases

As a result of the recent sharp decline in the domestic oil price, many operators may find it necessary to simply plug and abandon a number of stripper wells as uneconomic unless some form of relief from the producing requirements of the associated leases is granted. This Department shares the concerns being expressed by the operators of stripper wells that the abandonment of a substantial number of these wells on jurisdictional leases would mean the immediate loss of the oil which these wells now produce and, in all probability, the loss of their remaining, recoverable reserves. Currently, it is estimated that there are about 21,000 stripper oil wells on jurisdictional leases (17,200 on Federal and 3,800 on Indian) now producing some 25 million barrels of oil annually (22 million on Federal and 3 million on Indian), and which have approximately 250 million barrels of remaining, recoverable oil reserves (220 million on Federal and 30 million on Indian). The abandonment of such wells clearly will reduce the ultimate recovery of petroleum resources from jurisdictional leases and result in the loss of the associated, future royalty income. Moreover, all such losses of producing capability will increase this Nation's dependence on imported oil.

This memorandum provides guidance as to the circumstances in which it is appropriate to permit stripper wells on jurisdictional leases to be shut-in due to the present, depressed oil price without placing the associated leases in jeopardy of expiration.

There should be no lease expiration problem in permitting all stripper wells on a jurisdictional lease in its primary term to be shut-in because of the current, depressed oil price. However, as legitimate concerns could arise in the case of Indian leases due to the deferral of royalty revenues (in part or in total), the concurrence of the Bureau of Indian Affairs (BIA) should be obtained before permitting any stripper well on an Indian lease in its primary term to be shut-in. Presumably, BIA will consult with the appropriate Indian lessor(s) before giving its concurrence. Once such a lease (with all wells shut-in) reaches the end of its primary term, it must qualify for a continuance beyond that point, as provided below or as otherwise provided by the lease terms and/or applicable regulations (e.g., a 2-year drilling extension in the case of a Federal lease).

No lease expiration problem should arise from permitting all stripper wells on a jurisdictional lease in its extended term by production to be shut-in provided that (1) with respect to a Federal lease, at least one well (stripper or otherwise) on or for the benefit of the lease continues to be produced on a regular basis or, if all wells are to be shut-in, that at least one such well on or for the benefit of the lease remains capable of producing oil and/or gas in paying quantities, even at today's oil price and (2) with respect to an Indian lease, at least one well on or for the benefit of the lease continues to be produced on a regular basis.

Where all wells on or for the benefit of a Federal lease in its extended term by production are stripper wells and the operator proposes to shut-in all such wells to avoid premature abandonment because he anticipates that oil prices will continue their current decline, a suspension of the producing requirements only of the lease may be granted pursuant to 30 U.S.C. 226(f) (Enclosure 1). However, all of the involved wells must not have ceased to produce due to exhaustion since that would trigger the statutory requirement to commence reworking or drilling operations within 60 days in order to perpetuate the lease. The granting of the suspension will negate the necessity to order the operator to produce from the lease. The reason for not granting a suspension under 30 U.S.C. 209 is that such a suspension would apply to operating as well as producing requirements.

An applicant for suspension of production under this I.M. shall submit his application in accordance with 43 CFR 3103.4-2(a). In such application, the applicant shall certify that this lease is capable of production in paying quantities but that failure to suspend production will lead to premature abandonment. The authorized officer will approve such application subject to verification and will notify the applicant of approval in writing. An approved suspension shall be effective on the first day of the month following the date of application. Leases within an approved unit or cooperative plan of development and operations may be granted suspensions in the same manner, as provided under 43 CFR 3104.4-2(f). Copies of the suspension approvals shall be sent to Minerals Management Service within 5 working days.

The effect of suspending the producing requirements of a Federal lease is to continue that lease for the indefinite period of the suspension, subject to the payment of the minimum royalty obligations and, if the lease is in its primary term, to toll running of the lease term during the suspension period. Solicitor's Opinion M-36953, 92 I.D. 293, 299-301 (May 31, 1985) (Enclosure 2). Any such suspension granted will terminate automatically on the first day of the month in which the operator, of its own volition, resumes producing operations. Should the price of oil subsequently rise to the point where the authorized officer is of the opinion that it would be economically feasible to resume producing operations but the operator fails to do so, a notice terminating the suspension should be issued. However, since most of the leases so suspended will be those in their extended term by production, any such notice of termination should be served at least 60 days in advance of the termination date so that the operators will have a reasonable opportunity to resume or commence those operations necessary to perpetuate the lease beyond the date on which the suspension is terminated. In the absence of any action by the authorized officer to lift the suspension or to extend it, the suspension will terminate on May 31, 1987. Operators must be notifed of this termination no later than March 31, 1987.

All wells (stripper or otherwise) on an Indian lease in its extended term by production may not be shut-in for an indefinite period since the lease terms require actual production to continue any such lease beyond its fixed term. Thus, there has to be continuous production on a monthly basis, but not necessarily every day of each month. Again, consultation with and concurrence by BIA is required. The BIA will be issuing guidelines to its Area Offices specifying the manner in which BLM will be notified of its concurrence with suspension of production requirements for stripper oil wells on Indian leases. It should be noted, however, that BIA expects to publish shortly revised oil, gas and geothermal regulations (25 CFR Part 225). Section 225.54 (b) would permit the operator of an Indian lease in its extended term by commercial production to submit an application for permission to suspend operations or production for economic or marketing reasons, provided that any such application must be accompanied by the written consent of the Indian mineral owner(s) and a written agreement executed by the operator and the Indian mineral owner(s) setting forth the terms pertaining to the suspension.

In some instances, the operator simply may prefer to plug out all wells, perform the required reclamation, and relinquish the associated lease. While an operator has the right to relinquish any lease (Federal or Indian) at any time, subject to the terms thereof and the applicable regulations, the authorized officer does have the flexibility to (1) permit all of the wells to be plugged and abandoned in the manner approved or prescribed or (2) require some or all of the wells to be conditioned for retention. However, care should be exercised in deciding that some or all of the wells should be so conditioned. Since the operator is ready, willing and able to plug all wells at that time, the operator necessarily would be relieved of the future responsibility for any well which this Bureau requires to be conditioned for future use. Thus, the Bureau would assume liability for all such conditioned wells until the related lands are again leased, subject to a new lessee assuming the responsibility for these existing, unplugged wells. Accordingly, the authorized officer should be convinced that the remaining recoverable reserves are of such quantity as to engender the belief that a new lessee would be willing to accept further responsibility for such wells. If that is not the case, the existence of one or more unplugged wells may prove to be a significant deterrent to this Bureau's ability to again lease the lands. The BIA should be consulted in all such situations involving Indian leases, and its recommendations followed.

The State Directors will maintain a current list of the suspensions of production in their respective public rooms. Existing report requirements are not waived by the granting of a suspension. For questions relating to royalty issues, please call Gary Johnson in MMS's Lakewood Acounting Center, FTS 326-3403.

Should you require further clarification of these guidelines or have questions that are not herein resolved, please call the Division of Fluid Mineral Operations (630) directly at 653-2127 (FTS) or 202/653-2127 (Commercial).

Robt F Burford
Robert F. Burford

2 Enclosures
    Encl. 1 - 30 U.S.C. 226(f) (1 pp)
    Encl. 2 - Solicitor's Opinion M-36953 (7 pp)

MONDAY, APRIL 28, 1986.

OFFICE OF THE SECRETARY

WITNESSES

GERALD R. RISO, ASSISTANT SECRETARY, POLICY, BUDGET AND ADMINISTRATION

JOSEPH W. GORRELL, PRINCIPAL DEPUTY ASSISTANT SECRETARY, POLICY, BUDGET AND ADMINISTRATION

JOSEPH E. DODDRIDGE, DEPUTY ASSISTANT SECRETARY, POLICY, BUDGET AND ADMINISTRATION

DAVID A. GILBERT, BUDGET OFFICER, OFFICE OF THE SECRETARY

ANTHONY L. ITTEILAG, DIRECTOR OF BUDGET, POLICY, BUDGET AND ADMINISTRATION

INTRODUCTION OF WITNESSES

Mr. YATES. This is a hearing on the appropriation for fiscal year 1987 for the Office of the Secretary. Appearing in support of the appropriation is Mr. Riso, Assistant Secretary of Policy, Budget and Administration; Mr. Gorrell, Principal Deputy Assistant Secretary. How many are there?

Mr. RISO. Just one.

Mr. YATES. One principal deputy?

Mr. RISO. Yes, sir.

Mr. YATES. Does that mean he got a salary increase when he got the word "principal" added?

Mr. RISO. No, we gave him an opportunity to get grayer.

Mr. YATES. Mr. Doddridge, Deputy Assistant Secretary. Mr. Doddridge. Mr. Gilbert, Budget Officer, and Mr. Itteilag.

Mr. Riso's statement may be put in the record at this point.

[Mr. Riso's biographical sketch and statement follow:]

STATEMENT OF GERALD R. RISO
ASSISTANT SECRETARY, POLICY, BUDGET & ADMINISTRATION
OFFICE OF THE SECRETARY
U.S. DEPARTMENT OF THE INTERIOR
BEFORE THE HOUSE SUBCOMMITTEE ON APPROPRIATIONS
FOR THE DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES
April 28, 1986

Mr. Chairman, I appreciate the opportunity to appear before you in support of the 1987 budget for the Office of the Secretary, U.S. Department of the Interior.

The Office of the Secretary is responsible for providing leadership and direction to the development of policy, program, and budget for the Department and in overseeing operations.

The proposed 1987 budget reflects the continuing objective of the Department to restrain the cost and size of the Office of the Secretary operations. The 1987 budget, as proposed, is approximately 7 percent below the 1980 spending level for the Office and is approximately the same spending level as the 1983 budget. Proposed staffing for the Office in 1987 also reflects this objective. For example, the budget contains a 10 percent decrease in staffing from 1983 staffing levels.

The proposed budget does not envision changes in either the current role or responsibilities of the Office of the Secretary, with some exceptions:

- The expanded role of the Office of Construction Management for overseeing the Bureau of Indian Affairs Facilities Program.

- Strengthening strategic systems planning by the Office of Information Resources Management to assure that the Department's investments in information technology are directed toward high-priority areas and are effectively planned and implemented.

- Within requested dollar and FTE levels, some changes in the focus and operations of the offices of the Assistant Secretaries and several senior officials may occur, since 1987 will be the first full year in office for three Assistant Secretaries -- Land and Minerals Management, Indian Affairs, Policy, Budget and Administration -- and several Office Directors.

In 1987 the Department will continue emphasizing management objectives that were initiated in 1986:

- Improving the delivery of services to the public by increasing productivity and through shifting resources into program delivery from administration.
- Promoting increased efficiency in administrative operations.
- Strengthening internal controls within the Department to prevent fraud, waste, and abuse.

In addressing these areas, we are primarily concerned that systems and procedures function more effectively and serve bureau missions and management. Certain of the improvements to be undertaken in operations are expected to generate savings in terms of reduced costs. In 1986 these "savings" are left with the bureaus to be placed against other operating requirements as they are determined. In 1987 our intention is to again generate "savings" in bureau administrative and program operations and leave the bulk of these savings with the bureaus so that they can be allocated back to other bureau priorities -- preferrably in program operations.

It is our expectation that in 1987 we will accomplish the following administrative improvements:

- Completing the consolidation of payroll operations under the leadership of our Bureau of Reclamation. We are in the process of operating a single department-wide payroll system and placing the operation under tighter cost controls. Savings of approximately 50 FTEs within the Department will remain with the bureaus to be allocated to other priorities.
- Upgrading and strengthening the information resource management procedures in the Department. Through a senior-level department-wide council, all information systems requests in excess of $1 million are being reviewed against GSA and departmental systems development criteria, the requirements of other bureaus, cost/benefits, and overall budget considerations. These reviews are resulting in better defined systems and more precise implementation planning.

  Examples of projects that will continue to be reviewed include the Automated Land and Mineral Record System, the use of operation and maintenance contractors in OSM for supporting ADP systems, the identification of office automation requirements of the Department, the initiation of a contract to examine mainframe requirements for the Department's installations in the Denver area, and the determination of interim and long-term strategies for the development, acquisition, and support of Geographic Information Systems technologies.

Additional efforts will be made to achieve further reductions of the burden placed on the public by the Department's request for information. In response to management complexities presented by the deregulated telecommunications environment, the Department will pursue strategies for providing telecommunication services and identifying opportunities for cost-effective utilization of telecommunications facilities.

- Strengthening our administrative accounting systems. The Department, until recently, had 13 separate administrative accounting systems within the offices and bureaus. Even with annual operating costs of $27 million and a requirement of 850+ FTEs to operate these systems, too many are not fully able to provide bureau managers with the financial data they need to manage programs and control the expenditure of funds. Our objective is to establish, over the next several years, an upgraded system for use in each bureau, and at the same time, achieve a sizeable reduction in annual operating costs.

- Reducing our unemployment compensation claims. Through a contract, we have undertaken a comprehensive review of these claims with encouraging initial results. Based upon only one quarter's experience in 1986, we have successfully challenged about $200,000 in claims and have identified another $800,000 in claims to be audited. Contractual costs during that quarter were only $20,000. We fully expect the same rate of success to be achieved as we implement the system on a department-wide basis.

- Increasing productivity and service delivery activities with the bureaus, i.e. implementing the maintenance management system for the National Park Service, and the proposed Bureau of Land Management/Forest Service interchange. Our emphasis will be on identifying areas of operation where our bureaus believe tangible improvements in the quality of service can be achieved, while at the same time reducing costs.

- Initiating and implementing a major revision in the Department's controls to prevent fraud, waste, and abuse. Emphasis is being placed in simplifying the process and reducing the paperwork and cost of the system without sacrificing the quality of the review. In addition, major emphasis will be placed upon training all levels of the organization on the purpose and use of internal controls in preventing fraud, waste, and abuse.

We are not assuming in these operating areas, and others that may be identified during the year, that we can simply provide better service through instituting efficiencies and economies. Instead, in cooperation with the bureaus, we will assess the cost of our operations, calculate the benefits from making improvements, and determine realistically whether savings can be generated and effectively redeployed to other priorities of the bureaus. If savings are not likely or there is no clear evidence of a tangible improvement in bureau operations, proposals will be dropped. In this manner, we anticipate a department-wide cooperative effort at pragmatically addressing the question of whether operational costs can be reduced without sacrificing services, and where benefits can be developed which will permit the bureaus to address their other requirements which require additional resources.

The 1987 request for all appropriations of the Office of the Secretary totals $43,500,000, a decrease of $1,420,000 from amounts enacted for 1986, prior to the Gramm-Rudman reduction.

The appropriation account "Office of the Secretary" is requested to be changed to "Salaries and Expenses." This title was used in previous years and is requested to avoid confusion. The 1987 request for this appropriation is $42,816,000, a net decrease of $335,000 and 100 workyears from the amount enacted in 1986. The major changes are as follows:

- Minus $1,792,000 and a net reduction of 34 workyears applied to offices throughout the account. These reductions reflect the intention to reduce federal spending, as well as some realignment of funds in FTEs between activities.

- Plus $1,457,000 for increased GSA space (SLUC).

The 1987 request for the appropriation Construction Management is $684,000; a decrease of $91,000 and 3 workyears from the amount enacted in 1986.

This budget reflects the plan for the transfer of responsibilities to the Bureau of Indian Affairs in early calendar year 1987 as part of the plan for managing the Bureau of Indian Affairs Facilities Program. This plan was submitted to the Committee in February of 1986 in response to concerns expressed by the Committee on this program last year.

Regarding the special foreign currency program, no funds are requested in 1987 to continue this program, as these excess currencies are not anticipated to be available in 1987. This represents a decrease of $994,000 from the amount enacted in 1986.

This concludes my opening statement; I appreciate the opportunity to discuss these matters with you and am available to answer any questions this Committee may have with regard to this request, with the assistance of my fellow witnesses.

GERALD R. RISO

Mr. Riso is Assistant Secretary of the Department of the Interior for Policy, Budget and Administration. Much of his professional career has been in management consulting, during which time he has served a wide variety of U.S. and international clients. A significant part of his consulting practice has been in strategic planning, organization planning, and cost reduction for both public and private organizations.

Most of Mr. Riso's career has been with Booz, Allen and Hamilton, where he began as a consultant and then became a Vice President in New York, San Francisco, and then Washington, D.C. Mr. Riso has also been a partner of Touche Ross and Co., and most recently a Vice President with Korn/Ferry International.

Mr. Riso also has held several senior management positions within the federal government. From 1970-1972 he was Deputy Assistant Secretary for Health and Scientific Affairs at the then Department of Health, Education and Welfare; and from 1982-1984, he served as Deputy Commissioner of the Immigration and Naturalization Service within the Department of Justice.

Mr. Riso received a BA in Political Science from Lafayette College in 1953 and an MGA from the Wharton School, University of Pennsylvania, in 1956.

He is listed in Who's Who in America.

Mr. Riso is married and has four children.

OPENING REMARKS

Mr. YATES. Mr. Riso, tell us how well or how poorly the Office of the Secretary is working.

Mr. RISO. The Office of the Secretary is operating pretty much as we had thought it would this year, absorbing the Gramm-Rudman cuts, reducing staff in accordance with those cuts, and focusing on a number of priority activities within the Department. That is about it, sir.

Mr. YATES. I would say you are a model of brevity. How badly did Gramm-Rudman hit you? It hit you for $1.8 million in 1986?

Mr. RISO. That is about right, yes.

Mr. YATES. Out of a $43 million appropriation, so you had an adjusted appropriation of $41,296,000, and your 1987 base was higher than last year. Last year's base—well, the base is higher than your request. Your request is actually higher than the adjusted appropriation. You want $42,816,000?

Mr. RISO. Yes.

Mr. YATES. Tell us why you want that increase.

Mr. RISO. The Gramm-Rudman reduction of 4.3 percent has forced us to do some juggling of different priorities, and the juggling might not accurately reflect what our real requirements are. The 1987 proposal tries to put that back into balance.

GRAMM-RUDMAN

Mr. YATES. Did you treat the Office of the Secretary differently as far as Gramm-Rudman and your budget is concerned, than you treated all other agencies in the department?

Mr. RISO. I don't believe so. We took 4.3 percent against the Office of the Secretary as required.

FTE USAGE

Mr. YATES. Last year you told us you were planning to have 688 FTEs in fiscal year 1986. Now your budget shows that for 1986 you will have 704 FTEs. How do you reconcile that with the way Gramm-Rudman is supposed to work? You have got an additional 16 FTEs for fiscal 1986. Yet your budget is cut 4.3 percent.

Mr. RISO. I think you will see that our FTE usage, month by month starting with the beginning of this fisal year, is showing a decline in the estimated usage of FTEs.

Mr. YATES. How many do you have onboard now?

Mr. RISO. About 670.

Mr. YATES. Where were those reductions?

Mr. RISO. Across almost every office. You will see a gradual pattern of reduction with almost no exception, office by office, over the last six months.

Mr. YATES. Did you reduce the number of personnel in the Office of the Secretary?

Mr. RISO. Yes, sir. There is a reduction of about five.

Mr. YATES. How about Congressional Affairs?

Mr. RISO. I believe it is either minus one or even, from where we were in the beginning of October.

Mr. YATES. How about Public Affairs?

Mr. **Riso**. If there is a minus one, I would be pleasantly surprised.

Mr. **Yates**. You mean it should be more?

Mr. **Riso**. I think we held that reasonably even.

Mr. **Yates**. Is the Office of the Secretary going to lose more employees this year?

Mr. **Riso**. We may have to. We have been trying to reduce expenditures at this point without a particular priority on reducing staff. To fit within Gramm-Rudman we may have to face the possibility of additional staff cuts, and we monitor that on a monthly basis.

Mr. **Yates**. How will that affect the work of the office?

Mr. **Riso**. If you accept the premise that a lot of the work of the Office of the Secretary is what I would call staff work as compared to the hands-on delivery of service within the bureaus, things just get done slower, and the lower priority items drop.

PETROLEUM CONSERVATION

Mr. **Yates**. One of the duties of the Secretary, according to the code, is petroleum conservation. Can you tell us what that phrase means in terms of what you are doing about it? What are the petroleum conservation duties of the Secretary?

Mr. **Riso**. I would have to submit that for the record, sir.

Mr. **Yates**. You don't have any idea as to how that is carried out in the department. Would Mr. Gorrell know? Do you know that Mr. Gorrell?

Mr. **Gorrell**. Mr. Chairman, there are a variety of things, if I might, the current five-year OCS proposed program that the department is getting comments on.

Mr. **Yates**. I know the department is doing that through MMS.

Mr. **Gorrell**. Yes.

Mr. **Yates**. Is the Office of Secretary engaged in that too?

Mr. **Gorrell**. Yes, sir. The Secretary, personally is very much involved in the consideration of that issue. All of the negotiations on the issues on OCS in California, the Secretary's recent announcement about the program on stripper wells on the onshore program, his oversight on the onshore oil and gas program—all those are illustrative of the kinds of activities of petroleum conservation.

Mr. **Yates**. Can you relate that to cost, Mr. Gorrell, as to how much of the budget is related to that activity?

Mr. **Gorrell**. It would be very difficult to do that. I would really hesitate to try.

EMERGENCY PREPAREDNESS

Mr. **Yates**. Does the Secretary also have emergency preparedness functions? According to the code he does have, and I wondered how these functions are carried out.

Mr. **Riso**. We do have certain emergency preparedness plans which not only the Secretary but other members of the staff are engaged in.

Mr. **Yates**. What is the nature of the emergency you prepare for?

Mr. RISO. Continuity of Government at all levels, as well as specific occurrences, environmental spills or something like that.

PAY RATES

Mr. YATES. Tell us about fire suppression costs when your employees are engaged in firefighting. Do they receive regular rates of pay without regard to Sunday, Federal holidays and the regular workweek?

Mr. RISO. May I defer to Mr. Gorrell on that, please?

Mr. YATES. Sure.

Mr. GORRELL. Mr. Doddridge is our expert on personnel and pay.

Mr. DODDRIDGE. Mr. Chairman, I do believe these people are paid regular rates, but I would like to double check that.

OFFICIAL RECEPTIONS

Mr. YATES. Do you want to put in the record a list of the official receptions for foreign dignitaries, and other high-ranking officials who are entertained by the Secretary over the last year?

Mr. RISO. Surely.

REPRESENTATION EXPENSE

Mr. YATES. Are there other uses for the $10,000 for official reception and representation that are made of the money other than receptions for foreign dignitaries and other high-ranking officials?

Mr. RISO. There are some expense items in connection with the Secretary's dining room. Expenditures to date have been on the order of about $3,000, and there is reimbursement for the personal meals. As of today, I believe we have got about $7500 left in that account.

Mr. YATES. How does that qualify under the heading of official reception and representation expenses? That is more personal than anything else, isn't it?

Mr. RISO. Well, we will have breakfast with Members of Congress. Occasionally groups come in which the staff and the Secretary will meet. We collectively get billed for those meals from that account, and replenish it on a monthly basis.

Mr. YATES. Would you place in the record a statement as to how the money is spent and how much was used. Can you tell us how much of that was used in 1985, of that particular account? Would you place that in the record?

Mr. RISO. Surely.

Mr. YATES. And how the money was spent.

[The information follows:]

OFFICIAL RECEPTION AND REPRESENTATION

Once again the Secretary asks for $10,000 for official reception and representation expenses. The justification (P.9) indicates it is for official receptions for foreign dignitaries and other high ranking officials.

Question. What foreign dignitaries has the Secretary entertained in FY 1985 and FY 1986?

Answer. The Ambassadors to the United States from Austria, Ireland, and Great Britain.

Question. What other uses were made of the money in FY 1985 and to date in FY 1986?

Answer. Costs in support of other official reception and representation expenses, such as award ceremonies, breakfasts and lunches for Members of Congress, Cabinet officials, State officials, and representatives of various public interest groups.

Question. How much was used in total in FY 1985?

Answer. The cost of this in FY 1985 was $5,268.66.

Question. Provide for the record the details of how the money was spent in FY 1985.

Fiscal year 1985 Secretary's representation fund, summary expenses report

Secretarial Hosted Breakfasts	$116.50
Secretarial Hosted Luncheons	692.59
Official Receptions	1,830.02
Representation Gifts	256.75
Kitchen Supplies/Food	1,007.15
Kitchen Equipment	991.80
Printing and Postage	199.04
Flowers	151.00
Miscellaneous supplies	23.81
Total FY 1985 Expenses	5,268.66

SECRETARIAL EXPENSES

Mr. YATES. Are there any other expenses associated with the Secretary's immediate office other than salaries and benefits?

Mr. RISO. General administrative costs, such as travel and printing charges and that kind of thing. I am not aware of what I would call a unique charge, something that you might not find in other offices.

CONGRESSIONAL AND LEGISLATIVE AFFAIRS

Mr. YATES. Is it correct to assume that inasmuch as there are now 25 people employed in the Office of Congressional and Legislative Affairs, while only 11 FTEs have been used in the first half of this fiscal year, does that indicate that there must have been some recent hirings in this office?

I will put the question directly: Has there been any recent hiring in the Office of Congressional and Legislative Affairs?

Mr. RISO. I believe we had some additions to replace people who did leave. My impression is we are operating at one additional person this year beyond that which we started October 1, but there has been within that overall number some turnover as people have come and gone.

Mr. YATES. How many are in the entire department?

Mr. GILBERT. We have a table that we can submit for the record, if you would like.

Mr. YATES. May we see it?

Mr. GILBERT. This is through 1985, Mr. Chairman.

Mr. YATES. The Bureau of Reclamation, which we don't have, has got a bundle of them. Almost 4,000 in that one office. Excuse me, it is almost $4 million in that one office, as opposed to $278,000 in OSM, MMS, BLM spends almost half a million dollars, Fish and Wildlife and Park Service. This would indicate, this chart you have given us, that the Office of the Secretary does not have any people in the Office of Legislative Affairs; is that correct?

Mr. GILBERT. Mr. Chairman, that chart represents the Congressional liaison functions only, it should be footnoted strictly Congressional liaison staff. The legislative functions were not requested, other tables provide for both Congressional and Legislative Affairs functions.

PUBLIC AFFAIRS

Mr. YATES. Let me ask you the direct question. You have got 16 FTEs aboard for the Office of the Secretary for the Office of Public Affairs for 1986; is that correct?

Mr. GILBERT. Yes, Mr. Chairman.

Mr. YATES. How many did you have in 1985? You had 17. In 1984 you had 18. Why do you need so many for the Office of Public Affairs in the Office of the Secretary, when you have the whole department at your fingertips? This is the whole department. This is 207 for the whole department. Do you need that many in the Office of the Secretary?

Mr. RISO. I believe we do, sir. The total departmental number is somewhat misleading in one respect. What you have is an extensive field organization with a significant number of field installations, and I think you would find in the BLM and the Bureau of Rec in particular, where the field structure mirrors from one office to another the bureau structure. You build up a staff. It is the cost of extensive decentralization.

DEPARTMENTAL VS. BUREAU RESPONSIBILITIES

Mr. YATES. Do the responsibilities of the staff in the Office of Congressional and Legislative Affairs and the Office of the Secretary differ from the people who have the same responsibilities in the various bureaus and offices of the department?

Mr. RISO. Not in process, but in terms of the issues and the level at which those issues get engaged. A lot of it is routine response to inquiries. A lot of it is communication. In that sense it is identical, but the broad policy issues and the direct dealing on behalf of the Secretary with Congress makes the Secretarial office somewhat different.

EQUAL OPPORTUNITY

Mr. YATES. You are reducing the Office of Equal Opportunity?

Mr. RISO. Yes, sir.

Mr. YATES. From what to what?

Mr. RISO. It is a reduction of two positions.

Mr. YATES. Two out of how many?

Mr. RISO. Thirty-one.

BROADCAST CENTER

Mr. YATES. You have got a new item provided for, a departmental broadcast center. What does that broadcast center propose to do?

Mr. RISO. There are meetings which for a variety of reasons are taped so that different members of the staff who are not able to attend, can view the proceedings later. There are items that appear on television which are taped, and at a scheduled time if you have missed a particular meeting and you have the time, you can see this on the departmental broadcast system.

Mr. **Yates**. What is a departmental broadcast system? Is that a system of television receivers throughout the department?

Mr. **Riso**. Not throughout, but a number of TV sets in a number of offices where you can catch a program that was taped. Thinking out loud, we had a fairly important public meeting on the Fourth of July celebration, and couldn't fit all the people in the room. Those who had an interest but ought not be in that room can see it. There are a number of sets throughout the department.

Mr. **Yates**. How much did it cost to establish a broadcast center?

Mr. **Riso**. I would have to supply that, sir. I don't know.

Mr. **Yates**. Would your budget officer know?

Mr. **Gilbert**. Mr. Chairman, we have a facility in place that has not been used extensively. We purchased about five or six thousand dollars' worth of equipment, such as, audiovisual-type equipment, VCR, and taping machines to make copies of tapes.

Mr. **Yates**. What about the television sets themselves?

Mr. **Gilbert**. There were a number of TV sets already in the various bureaus and offices. How many we purchased I would have to verify and submit for the record, Mr. Chairman.

[The information follows:]

Purchase of T.V. Sets

Approximately eight additional T.V. sets were purchased for Secretarial offices to access the broadcast system.

BROADCAST CENTER FUNDING

Mr. **Yates**. From what fund did the broadcast center come? We don't find it in the budget request for 1986.

Mr. **Gilbert**. The broadcast center operates through the working capital fund, which is reimbursed from all the bureaus and offices. When the 1986 budget was put together the broadcast center was not an operating function. It has only been in existence for a number of months.

Mr. **Yates**. Mr. Riso indicated that you have tapes that cover important meetings. Is that the only function for the broadcast center? How often does the center operate? Does it operate the whole day long?

Mr. **Riso**. Oh, no. It is by schedule. If I said three days a week I am probably missing by——

Mr. **Yates**. For the full day?

Mr. **Riso**. No, sir. There is a schedule, and I guess if it is two hours a day it is a lot. But I would feel more comfortable verifying the precise schedule and giving you some sense of the usage.

Mr. **Yates**. Would you place in the record the details and how the center was used for the month of March, for example?

Mr. **Riso**. Surely.

[The information follows:]

Departmental Broadcast and Electronic Communication Center

Question. What are the priorities for use of the broadcast center?

Answer. The Departmental Broadcast and Electronic Communication Center provides services to all bureaus. It attempts to reduce bureau expenditures for outside services and equipment which already exist within the Department.

The primary functions of the center are:

(1) Provides AP and UPI were service coverage and electronic mail service to all bureaus.

(2) Monitors and records on a daily basis relevant portions of local and national television news and public affairs programs and provides Departmental managers with same.

(3) Develops radio actualities of Department officials on current news topics and alerts radio stations to availability.

(4) Manages and implements Departmental audio visual control system for all bureaus including popular, technical, and visitor center productions.

(5) Provides other services to bureaus such as limited audio visual equipment, etc.

Question. What percent of normal operating hours is it in use?

Answer. The replay of tapes for viewing of meetings or special news segments runs approximately 2 to 3 hours per week on Wednesdays.

Question. Can you point to specific savings in other agencies resulting from the establishment of the Departmental Broadcast Center?

Answer. The center provides essential services for all bureaus which would otherwise have to be purchased separately by each bureau.

E.g. Cost of AP and UPI wire services run approximately $10,000/year.

For the month of March 1986, the Broadcast Center duplicated audio & video tapes and provided other assistance which would have cost the bureaus approximately $4,900. The Broadcast Center was able to provide these services for $900.

Question. Provide for the record the details on how the broadcast center was used in the month of March.

Answer. The Center replayed tapes of 9 news segments during the month of March for a total broadcast time of approximately 8 hours. Segments are usually replayed twice each Wednesday to allow for different viewing schedules.

ASSESSMENTS

Mr. YATES. Are any of the department's offices or bureaus making assessments?

Mr. RISO. Making assessments against the Office of the Secretary, sir?

Mr. YATES. Yes.

Mr. RISO. Not that I am aware of.

Mr. YATES. Section 309 of our Continuing Resolution provided that "there be no assessments levied against any program, against any budget activity, subactivity or project which was funded by the Act unless such assessments and the basis therefor are presented to the committee's on appropriations for approval." Those are the assessments that we are talking about. We have been informed the Park Service is making such an assessment of some of the activity, cutting some of the operating funds for its activities. Do you know anything about that?

Mr. RISO. I may not be fully responsive, but there are in fact a number of them in the working capital fund. There are allocations made from the Office of the Secretary against the various bureaus for services on a reimbursable basis. That is in essence the theory behind the working capital fund. Now, there are in addition a number of projects or issues which have been taken within the Office of the Secretary to be run as short-term projects, where the individuals and the dollars attached to them are coming into the Office of the Secretary.

It is a movement of both the people and the dollars. That might be considered an assessment. It is a matter of semantics. Then the only definitive assessment that I am really aware of from the Office of the Secretary against the bureaus is the Outdoor Recreational Commission, which this year is about $1.2 million against a number of the bureaus at a rate of about $330,000 per bureau.

Now, what the Park Service, I have been told, may have done is having allocated their monies to their various regions, decided that they needed some of that money back within that bureau to be spent out of Washington. That may be the circumstance, but I have not heard of any complaint on that as yet.

WAGE SURVEYS

Mr. **Yates**. Here is a statement as of March 28 from the Director of Personnel which indicates——

Mr. **Riso**. That we have participated in several governmentwide surveys with charges allocated to us, to the department, which have in fact been allocated to the various bureaus. That is certainly so.

Mr. **Yates**. Is that new or is that customary?

Mr. **Riso**. The practice or the survey, sir?

Mr. **Yates**. The practice.

Mr. **Riso**. I am not aware that it is new. I think it has been a practice for some time. We usually deal with relatively small amounts.

Mr. **Yates**. Was that in the budget last year?

Mr. **Riso**. I don't know that.

Mr. **Gilbert**. Mr. Chairman, the Federal Wage Survey has been done since the early '50s.

Mr. **Yates**. I mean the allocation of funds, the charging for funds as you did here, charging each of your constituent agencies.

Mr. **Gilbert**. For Interior's share of the Federal Wage Survey we have participated for a number of years. The survey on the white-collar pay is a new survey this year. The same type of activity has been done but that particular survey is new.

Mr. **Yates**. What did the survey cover?

Mr. **Gilbert**. It is my understanding, Mr. Chairman, this survey is the basis where they determine, the President's Pay Commission submits recommendations to the President and OMB on the so-called pay equivalent rates, the annual governmentwide pay increase. This survey will study the process, incorporate a much larger spectrum of analysis from smaller companies, different local areas, and broaden the spectrum of the survey.

Mr. **Riso**. My understanding, sir, is this that is the comparison of compensation practices in the public versus the private sector, and they try to put dollar values on retirement and vacation benefits, et cetera.

EQUAL OPPORTUNITY

Mr. **Yates**. What is the possible consequence of cutting back on the Equal Opportunity? How will that impact on the program?

Mr. **Riso**. We don't believe there should be any impact. We recently had the retirement of the director. We have a new director, and one of the first tasks that we have asked her to look at is placing additional responsibility for certain operations of the program back within the bureaus. There has been a substantial centralization of that program over a period of years, and everyone looking at that thought it could be done better within the bureaus, and we are actively looking at that.

We are minus two positions. We don't believe it will be noticed.

Mr. YATES. You have got a 20 percent reduction in staff from 1985 through 1987. You had 36 FTEs in 1985 and you have 29 requested for 1987. That is why the committee was concerned with what impact the reduction would have. How effective has that office been?

Mr. RISO. It has been mixed. We have had some problems of morale and leadership in that office, and it is reflected in the program. We recently recruited a new Director. The new Director has been on board for about two or three weeks, and the first priority she has is to re-energize that program, beause I don't think either the bureaus or anyone within the Office of the Secretary felt that with the expenditure we were making of about $1.6 million, we were getting an energetic, realistic program. The test will be whether we do in fact operate a program that is more effective with less cost.

Mr. YATES. Let's hope that can be done. Do you want to put into the record the number of complaints filed with that office over the last several years?

Mr. RISO. Surely.

[The information follows:]

OFFICE OF THE SECRETARY, OFFICE FOR EQUAL OPPORTUNITY, DISCRIMINATION COMPLAINT CASELOAD

Fiscal year	Carryover	Reopened	Received	Total workload	Closed	Year-end total
1981	394	10	223	627	180	447
1982	447	10	232	689	119	570
1983	570	5	179	754	134	620
1984	[1] 555	4	191	750	356	394
1985	394	27	241	662	320	342
1986	342	1	256	599	190	409
1987	409	2	281	692	300	392

[1] Adjusted figure per EEOC.

HISTORICALLY BLACK COLLEGE PROGRAM

Mr. YATES. How much of the Office of the Secretary budget request is associated with Historically Black Colleges and Universities?

Mr. RISO. Joe, do you have that number?

Mr. DODDRIDGE. Mr. Chairman, I believe it is about $150,000 to $170,000 associated with Historically Black College programs.

Mr. YATES. For 1987?

Mr. DODDRIDGE. That is what we are presently spending.

Mr. YATES. In 1986?

Mr. DODDRIDGE. Yes, sir.

Mr. YATES. Will you spend the same amount in 1987?

Mr. DODDRIDGE. I would presume so, yes, sir.

WATER AND SCIENCE

Mr. YATES. You also have the Assistant Secretary for Water and Science. He talks about streamlining. Is that a result of reduced salary?. Does this mean shorter policy as far as this office is concerned?

Mr. RISO. There is currently a vacancy.

Mr. YATES. Right, I know that.

Mr. RISO. As you will recall, sir, there is an Acting Assistant Secretary there.

Mr. YATES. If you haven't got an Assistant Secretary but you have got an Acting, who acts? Who acts as the Assistant Secretary for Water and Science?

Mr. RISO. At present it is——

Mr. YATES. Is it vacant? The office itself is vacant, isn't it?

Mr. RISO. There is an individual who is an employee of the department functioning as an Acting Assistant Secretary until a selection process has gone through.

Mr. YATES. Who was the last one?

Mr. RISO. Bob Broadbent, sir.

Mr. YATES. When did he retire?

Mr. RISO. He left in March, March of 1986.

Mr. YATES. Has anybody been nominated for that position?

Mr. RISO. Not yet.

EQUIPMENT PURCHASES

Mr. YATES. Is equipment for any of the assistant secretaries' offices funded through the agency rather than through the Office of the Secretary's appropriation?

Mr. RISO. Not that I am aware of. There is underway a review by each of the assistant secretaries to determine what their equipment needs are, but I am not aware of any major financing of equipment for any of them.

LAND EXCHANGES

Mr. YATES. Can you tell us what the Task Force on Large Land Exchanges does?

Mr. RISO. No, sir, I cannot.

Mr. YATES. You have got the Assistant Secretary for Fish and Wildlife and Parks directing the department's task force on Large Land Exchanges, according to your justifications, page 45, under Objectives. You have the Assistant Secretary working closely with Congress to gain enactment of the bureau's fee initiatives. In addition, major emphasis will be directed to insure implementation of the bureau's maintenance management system and to direct the department's Task Force on Large Land Exchanges.

That is why I wondered what he does.

Mr. RISO. Mr. Itteilag whispered in my ear. He could tell you better than I can remember.

Mr. YATES. Mr. Itteilag, what do they do?

Mr. ITTEILAG. Mr. Chairman, I surmise what the situation is that there are many exchanges that involve more than one bureau of the department, as well as the states and private interests, and what I believe is appropriate is that there be some mechanism in the department to coordinate among the department's bureaus.

Mr. YATES. I thought Mr. Horn did that. It is his office.

Mr. ITTEILAG. It is his office, Mr. Chairman, but I think it is appropriate.

Mr. YATES. His office is funded through this appropriation?

Mr. ITTEILAG. Yes.

Mr. RISO. Yes, sir, it is.

Mr. YATES. Then he, I take it, is in charge of the Task Force on Large Land Exchanges?

Mr. RISO. Apparently so.

Mr. YATES. How much money has been devoted to the Task Force on Large Land Exchanges?

Mr. RISO. We would have to supply that.

Mr. YATES. Are there any circumstances under which the department needs legislation to consummate land exchanges?

Mr. RISO. Not that I am aware of.

Mr. YATES. Would you know about what land exchanges are proposed to be made, or is that something that is in Horn's department? I know Mr. Horn does it. Doesn't he tell you about it?

Mr. RISO. Surely. Specific projects, specific exchanges, I am not aware of. One big proposal, as you probably know, has been the BLMs Forest Service interchange, which has gone through extensive revision. There may be a number of parcels from time to time.

TAKE PRIDE INITIATIVE

Mr. YATES. Where are the funds budgeted for the Take Pride Initiative?

Mr. RISO. There are no funds budgeted in 1986 for Take Pride.

Mr. YATES. Are there any for 1987?

Mr. RISO. Not that I am aware of.

Mr. YATES. Would the budget officer know?

Mr. GILBERT. Mr. Chairman, there have been no funds budgeted for those activities.

Mr. YATES. How do you pay for them, then?

Mr. RISO. This is a staff-intensive operation. There are assigned staff within the Office of the Secretary, some funded directly out of the Office of the Secretary, and several—I don't recall the exact number of people—on detail to the Office of the Secretary from the bureaus. The essence of the program is not to spend Federal dollars.

The whole idea behind Take Pride is to make this a voluntary effort on the part of nonpublic organizations, and I think the Secretary has said, and would say again, that if we got to the point where there was a significant requirement for public expenditures, then the program would have been a failure, as he conceives it.

It is something that each of us individually and collectively have to be concerned enough about that we collectively do something about it. It is volunteerism in the American tradition.

REFUGE FEE LEGISLATION

Mr. YATES. When is the department submitting legislation for the fee system for the refuges?

Mr. RISO. It is under consideration right now.

Mr. YATES. You don't know when it will be submitted?

Mr. RISO. It ought to be shortly, but I could not give you a date.

Mr. ITTEILAG. Could I comment on that? The intent is not to have a free-standing piece of legislation, but rather to work with the Senate, and attempt to attach a provision to what is known as the Emergency Wetlands Bill.

INDIAN AFFAIRS

Mr. YATES. Does the budget request for the Assistant Secretary for Indian Affairs reflect its recent reorganization?

Mr. RISO. Yes, sir, it does.

REPLACEMENT OF EQUIPMENT

Mr. YATES. Who in the Office of the Secretary is responsible for assuring that the Department's agencies have adequate equipment to carry on their work?

Mr. RISO. That, finally, is my office, sir.

Mr. YATES. The Fish and Wildlife justification indicated that the equipment in the Service has been used beyond its useful life and it is difficult to maintain. The Fish and Wildlife budget justification indicates on page 56, "Presently equipment at Service laboratories is substandard. The age of the equipment makes it extremely difficult to maintain. The down time on one of the machines is already in excess of 65 percent. Average life expectancy of this equipment is five to seven years, and the current equipment is 10 to 14 years old."

How are you advised that the equipment is obsolete and not usable?

Mr. RISO. Normally it ought to come up during the budget review that we go through, and we'll be going through 1988 in the next several weeks. If it were a problem of that nature and that magnitude, I would fully expect that the representatives of the Fish and Wildlife Service would make that representation. I sat through the preparation of the 1987 budget, and that as an issue was not raised. They raised a question—it may be in there, I don't recall, on motor vehicle equipment, and their concern about their replacement rates there, which led us to undertake a thorough review of their motor vehicle requirements this year.

Mr. YATES. Are there any other agencies like Fish and Wildlife Service whose equipment is obsolete?

Mr. RISO. There may be.

Mr. YATES. Is it interfering with the carrying out of their responsibilities?

Mr. RISO. If it is, they are not reporting it.

Mr. YATES. Who carries the burden of replacing, making that information known? Is it your function or is it the agency's function? Are they supposed to let you know that they have bad equipment?

Mr. RISO. As part of their budget request, they ought to, certainly.

SES BONUSES

Mr. YATES. Does Gramm-Rudman limit your ability to provide SES bonuses in fiscal 1986?

Mr. RISO. In the sense, to the same degree that any expenditure of the Office of the Secretary is subject to some restrictions.

Mr. YATES. How much have you budgeted for employees' awards in fiscal year 1986?

Mr. RISO. We tend not to budget for awards. We make those monies available out of the salaries accounts. My recollection is for SES in 1985, if that is a comparison, it was in an order of $100,000 for SES bonuses. I don't recall what the merit pool was. I would be delighted to provide that as a number for you.

HEARINGS AND APPEALS

Mr. YATES. Let's talk about the Office of Hearings and Appeals for a moment. That budget request has been reduced by $472,000, and a 7 FTE reduction. Your justifications show that the hearing division will have more OSM cases in the next fiscal year than under the Federal Oil and Gas Royalty Management Act of 1982. The information we have is that they are having some difficulty with a crowded schedule now. You have a reduction of FTEs and budget funds. How will they be able to do their work? Is that a reduction that the committee ought to replace?

Mr. RISO. They have done two things. I will respond more directly to your question. They have looked at the way in which they have been organized, and they have looked at the way in which they have been staffed in terms of performance and increased performance standards, if I may use that expression. My understanding was that given the effect of the reoganization and improved management, they could absorb the additional workload within the dollar amounts they asked for.

CONSTRUCTION MANAGEMENT

Mr. YATES. Does the Office of Construction Management provide assistance to any agency other than BIA?

Mr. RISO. It may, but it would do so without my knowing much about it.

Mr. YATES. Would you check, and if it does, will you place a reply in the record?

Mr. RISO. Surely.

Mr. YATES. As to what other agencies it services other than BIA.

Mr. RISO. As I say, I don't believe it does.

[COMMITTEE NOTE.—The Budget justification reads as follows: "The office provides technical assistance, consultation, and support in the planning, design, construction, and facility operation services of bureaus in the Department."]

FOREIGN CURRENCY

Mr. YATES. There is no request for the special foreign currency program for the support of research projects in foreign countries. Is this a specific request? Did the department ask for these funds or did OMB strike it out?

Mr. RISO. I don't believe we requested funds.

Mr. YATES. Does it serve no useful purpose? The reason I ask that question is because in the State of the Union Address the

President emphasized his commitment to international scientific exchanges. You are striking the money out, at least as far as you are concerned?

Mr. RISO. That is right, yes, sir.

Mr. GILBERT. That is strictly due to the Treasury Department determining these currencies will be near excess foreign currencies and as such, will not be available. That is the only reason.

SES POSITIONS

Mr. YATES. You have 52 SES positions in the Office of the Secretary out of a staff of approximately 950. The National Park Service, for example, and the Fish and Wildlife Service have a combined total of 41 SES positions, with approximately 17,000 employees. Why the disparity? Are you considering redistributing SES positions?

Mr. RISO. I have not considered redistributing them. The SES positions are a result of two different kinds of things: One, a substantial number are not career SES positions by nature of the Office of the Secretary involvement with policy issues.

Secondly, I think our number vis-a-vis other departments is not large, and I think we have got a governmentwide problem with pay that creates problems for all departments. As you move people from, say, one agency into the Department of the Interior, or in the event you try to elevate someone, the salary compression from Grade 15 forces you into fairly high levels of SES rather rapidly. That is causing across the government an unfortunate distortion in what I would call the value and worth of the SES service, and it is not only Interior's problem, it is across the entire government.

AIRCRAFT SERVICES

Mr. YATES. You want to buy two additional planes for the Office of Aircraft Services?

Mr. RISO. Yes, sir.

Mr. YATES. Why do you need them?

Mr. RISO. I am assuming usage.

Mr. YATES. These are expensive objects. I wonder why you want—are these for replacement? Are they additional?

Mr. RISO. I don't know that.

Mr. YATES. Who knows that?

Mr. GILBERT. Mr. Chairman, we request every year contingency authority to replace aircraft due to age, usefulness or accident. This year we are requesting the authority for two additional aircraft. Both of these planes would be used in the State of Alaska to support primarily Fish and Wildlife and Park Service functions in the State of Alaska.

Mr. YATES. What kind of planes are they?

Mr. GILBERT. An evaluation will be made as to the type of aircraft. They are normally what I would call Piper Cub-type aircraft, four-seat, twin engine planes.

Mr. YATES. Your justification shows you want 12 additional aircraft, two new ones, 10 replacements.

Mr. GILBERT. Yes, sir. We normally replace five to six aircraft every year as they wear out, from the fleet in Alaska.

Mr. YATES. What is the cost of the planes? I don't see anything in the justification for that. Do you know?

Mr. RISO. I don't know the cost offhand, Mr. Chairman. I can provide the cost for similar planes in previous years.

Mr. YATES. Are the replacement aircraft to be the same kinds of planes or are they going to be upgraded?

Mr. RISO. The Office of Aircraft Services determines the best aircraft to be utilized in the current time frame. They may upgrade the planes if the usage is required, based on what the bureau's needs are.

Mr. YATES. Why don't they tell you what their needs are so you can tell us about it?

Mr. RISO. Mr. Chairman, out of a fleet of approximately 80 aircraft, they know a certain number of them will be in need of repair, and in some cases, the repairs will not be economical, so the plane will be replaced.

Mr. YATES. I assume that that is well known to you and that is also well known to us, that there are some that have to be replaced. That being so, why don't they tell you which ones will have to be replaced and what the cost of replacing them will be?

Mr. RISO. We can provide that for the record.

Mr. YATES. But shouldn't you have that in your budget? Your budget doesn't show what the cost will be.

All right put it in the record.

[The information follows:]

REPLACEMENT OF AIRCRAFT

The Working Capital Fund provides centralized services as deemed appropriate by the Secretary, and recovers the cost of such services from bureau programs who utilize the service. The enabling legislation for the Working Capital Fund requires that "rates . . . will return in full all expenses of operation". Depreciation accounts are maintained to provide for eventual replacement of assets as they become worn or damaged beyond a point of economical repair.

Responsible aircraft management operation requires a replacement of out of date and worn aircraft before they become a compromise of safety for our DOI operators and programs. The FY 1987 replacement aircraft program is to address this issue.

Examples of the FY 1985 replacement aircraft program follow:

N728—DeHavilland Beaver DHC-2. A 1952 single engine, high fixed wing, sold for $60,001.01. Replaced by N9625R-Cessna U206G, a new single engine, high fixed wing, at a cost of $105,610.

N709—Cessna 180H. A 1966 single engine, high fixed wing, sold for $28,660. Replaced by N735HB—Cessna A185F, a new single engine, high fixed wing, at a cost of $105,950.

N67697—Helio Courier H295. A single engine, high fixed wing, sold for $27,187.69. Replaced by N78AT Interstate S1B2 Arctic Tern, a single engine, high fixed wing, at a cost of $60,080.

N716—Cessna 180E. A single engine, high fixed wing, sold for $15,251. Replaced by N68AT Interstate S1B2 Arctic Tern, a single engine, high fixed wing, at a cost of $56,085.

N1374L—Cessna T337H. A twin engine, high fixed wing, sold for $23,655. This aircraft was experiencing excessively high operations cost for its relative capabilities. Replaced by N737 Pantenavia PC-68 Observer, a twin engine, high fixed wing, at a cost of $238,735.

All of the above replacements were funded through the WCF, through its replacement program, except for the last item listed. This twin engine replacement involved aircraft recently added to the WCF fleet and therefore Fish and Wildlife Service program funds reimbursed the WCF.

Aircraft replaced were sold by the GSA and DOI and proceeds were applied towards the purchase of replacement aircraft. Authority was obtained from GSA as a limited waiver to Federal Property Management Regulation, Part 101-46.

Mr. RISO. I recognize, sir, that that is a revolving fund, $46 million a year.

PERSONNEL POLICY

Mr. YATES. Let's talk about personnel policies. There are different agencies that have different grade classifications for similar responsibilities. For instance, Law Enforcement, Personnel in Fish and Wildlife have higher grades than Law Enforcement Rangers in the National Park Service. Why should that be?

Mr. RISO. I am not so sure that it should be.

Mr. YATES. It creates a morale problem in the Park Service.

Mr. RISO. Surely. We are in the midst of a comparability review on just that question within the Department.

Mr. YATES. And you propose to correct it?

Mr. RISO. We hope to.

Mr. YATES. Are you aware of any such inequities? That is your study. It will presumably show that.

Mr. RISO. That is right.

Mr. YATES. We are going to have a series of questions for the record. Thank you, Mr. Riso.

Mr. RISO. Thank you, sir. I appreciate it.

[Questions and answers submitted for the record follow:]

INSERT P.36A

ADDITIONAL COMMITTEE QUESTIONS SUBMITTED FOR THE RECORD

FY 1986 Workyears

Last year, you told us you were planning to have 688 FTE's in FY 1986. Now your budget shows that for FY 1986 you will have 704.

Question: How did you get 16 additional FTE's for FY 1986 and how will you be able to afford them in view of the Gramm-Rudman reduction of 4.3 percent?

Answer: The FY 1986 President's Budget request for the Office of the Secretary was $40,995,000 and 688 FTE's. Congressional action provided funding to partially restore proposed FY 1986 reductions in several offices. The additional 16 workyears would have been funded by this increase.

In accordance with Gramm-Rudman, each budget item in the appropriation amounts enacted for the Office of the Secretary was reduced by 4.3%. No FTE reductions were shown as part of the Gramm-Rudman reductions, but the dollar reduction affected the number of FTE's that would be utilized in the account. The current estimate of FTE usage for the account in FY 1986 because of Gramm-Rudman is approximately 675.

Consolidated Payroll System

Question: The Office of the Secretary is responsible for overseeing the Administrative reforms in the Department that are to reduce spending. Last year, each of the agencies budgeted a 10 percent administrative reduction which the Congress accepted. Some of the cost savings are to originate from a consolidated payroll system. With this in mind, please explain the cost increases in your payroll systems from FY 1984 to date.

Answer: In order to respond fully to this question, several points must be made.

During 1978 the House Appropriations Committee, in a report titled "Review of Automated Data Processing in the Department of the Interior and U.S. Department of Agriculture's Forest Service" stated: "It is recommended that the Secretary of the Interior take a strong stand in support of a centralized payroll/personnel system for the entire Department." The report further recommended that the Department "...set a schedule for adopting the PAY/PERS site." In the same period, GAO issued various reports criticizing other agencies for operating multiple payroll/personnel systems.

At that time, the Department operated four Payroll Systems (BIA, Bonneville Power, Mines, and DIPS) with PAY/PERS beginning operation in 1979. Bonneville Power was subsequently transferred to the Department of Energy, leaving Interior with four systems (BIA, Mines, DIPS, and PAY/PERS). As a step toward consolidation, the BIA and Mines systems were closed in December 1982 and May 1983, respectively, leaving only PAY/PERS and DIPS in operation.

Subsequently, the Department decided to centralize operations on the PAY/PERS System. However, the system was modified to include the following enhancements: Automated Adjustments, Automated Retirement, Automated Training Records, Automated Reporting Required for Various Agencies, Automated Incentive Awards Records.

Since the conversions took several years, (1) the BIA and Mines systems incurred costs before they were closed during FY '83, (2) DIPS incurred costs as it was phased out during fiscal years '83, and '84, and (3) during this period (1983 - 1985) most of the systems improvements listed above were incorporated into the PAY/PERS system.

Since both DIPS and PAY/PERS were in operation during fiscal year 1984, comparing the two systems costs with PAY/PERS FY '85 and '86 costs yields the following:

	FY 1984	FY 1985	FY 1986
DIPS	$ 2.3	---	---
PAY/PERS	$ 4.7	$ 6.7	$ 7.3
Total	$ 7.0	$ 6.7	$ 7.3

Included in the $7.0 million is approximately $0.9 million for non-Interior users (approximately $500,000 for PAY/PERS and $400,000 for DIPS). The non-Interior users included: Environmental Protection Agency, Merit Systems Protection Board, Federal Labor Relations Authority, Selective Service System, Department of Education, Western Area Power Authority, and Alaska Power Authority.

Thus, the increases from the FY 1984 costs to FY 1986 are as follows:

	(Millions)
Actual DIPS and PAY/PERS costs - FY 1984	$ 7.0
PAY/PERS Budget - FY 1986	$ 7.3
Increase	$ 0.3
Percentage Increase Over Two Years	4.0%
Average Annual Increase	2.0%

Thus, the Department has incurred an annual increase in costs of approximately two percent while (1) converting to one system from four systems, (2) making improvements in that one system, and (3) coping with inflationary increases during that period.

Another way of looking at Interior's costs would be to compare our costs to what it would cost to have the payroll operation performed by another organization. PAY/PERS cost per account for FY 1986 is estimated as $73. A recent survey of several other systems (Agriculture, Treasury, HHS, and Transportation) showed a cost per account range from $81 to over $150 per account. This does not include one-time conversion costs to move to another system. Specifically, we understand that the Department of Commerce is converting to the use of Agriculture's system. Commerce has approximately 30,000 accounts. Commerce will incur a one-time conversion cost of $750,000, a first year charge of $81 per account, with a six percent annual inflation factor thereafter. Thus, we believe that the operation of PAY/PERS is much less expensive than the alternatives available to the Department.

Question: Who is having to pay for these additional costs of the system?

Answer: All users pay these costs including organizations outside the Department of the Interior. The pro rata amount is based on the number of accounts in each bureau or office. In addition, there are charges for bureau requests for additional services. One contributor to increasing costs was bureau special requests that sometimes impacted the overall PAY/PERS costs. Approximately one year ago a backlog of these requests was called to the attention of the Assistant Secretary - Policy, Budget and Administration at a management committee meeting. Following that discussion, such changes were prohibited without the specific approval of the management committee. None has been approved to date. This assists in controlling current and future PAY/PERS costs. In addition, during fall 1985 the management committee requested a review of PAY/PERS costs by an internal group. As a result of that review, PAY/PERS has substantially reduced its overhead, from 35% to 23%, which is resulting in lower costs to users than would have otherwise been the case.

Question: Were these additional costs budgeted? What kind of adjustments are the agencies having to make to accommodate these extra expenses?

Answer: Since these additional costs have been modest, each bureau has accomodated them within existing resources with only a minimal impact on other priorities.

Mail Consolidation

Similarly, the mail room has been consolidated. Although there appears to be some overall savings, both the Fish and Wildlife Service and the Park Service are facing increased costs. In the case of the Fish and Wildlife Service, FY 1985 costs were $110,023, while the FY 1986 billing is $177,600.

Question: Why should the Fish and Wildlife Service and the Park Service have to pay more for this consolidation of mail?

Answer: The actual cost of mail operations by bureau for FY 1986 has not been determined. Preliminary estimates based upon a limited FY 1985 sampling of incoming mail were developed and provided to bureaus for planning purposes. Workload data collected over an extended period will be the basis for actual bureau costs.

The FY 1985 cost cited for FWS ($110,023) was based upon data furnished by that bureau, which did not include space rental and certain other costs. In most cases, bureau survey data reflected only the salary of employees who were assigned primarily full time to mail related functions. The costs of management supervision, administrative support, or other overhead for bureau mail programs were not addressed.

The FY 1986 estimate of $177,600 was based upon the limited sampling. More current data collected during the first half year of consolidated operations projects FWS costs at approximately $92,000, which represents a decrease in cost rather than an increase. Bureaus will also receive additional service under the mail consolidation, such as more deliveries, regular external mail service, delivery of supplies and packages, etc. than previously provided by separate bureau mailrooms.

First year costs of the Consolidated Mailroom are currently projected at $730,000, Department-wide, as compared to the $798,000 identified in FY 1985 by the separate bureau operated programs. In addition, a reduction of 24.7 FTEs will be achieved in the mail function for the Department in FY 1986.

Question: How are these agencies able to absorb these additional costs?

Answer: Based on current data, bureaus should experience a reduction in mailroom costs as compared to identified FY 1985 costs, in spite of understatement of the prior year estimates. Increases, if any, experienced should be minimal and easily absorbed by the bureaus involved.

Mail consolidation at the Interior Complex was implemented as a management initiative intended to increase program efficiency and achieve reductions in FTE and other resource requirements. If the program does not ultimately prove cost effective, separate bureau mailrooms could again be established.

Question: Are there other areas where there are savings?

Answer: In January 1986, the Department of the Interior implemented a contractor assisted program to improve controls and to reduce costs in the unemployment compensation program. An investment of $22,000 has produced a cost avoidance of $260,000 and an additional potential cost avoidance of $840,000.

In FY 1986, the Department consolidated payroll offices into the Bureau of Reclamation. Projected savings are $250,000 in FY 1986 and 55 FTE's and $1 million in FY 1987. These savings will be reinvested into the programs of the bureaus which generate them.

In FY 1985, a Department-wide data communications network was established, saving approximately $250,000 a year. Wire transfer, lockbox, travel cost and other cash management improvements were implemented for a savings of $6.455 million in FY 1985 and an estimated savings of $5.451 million in FY 1986.

In FY 1985, a Departmental Learning Center was established in Denver which provides training at $4.16 per training hour, compared to $10.50 per training hour previously. In the first eight months of operation, it achieved a cost avoidance of over $100,000. In addition to these Departmental efforts, there have been substantial savings in some bureaus. For example, in FY 1986 the Bureau of Reclamation consolidated the Upper and Lower Missouri Basin Regions into a single region saving approximately $3 million, most of which was reinvested. In FY 1985, the Bureau of Land Management saved $5.5 million through a variety of improvements, such as centralizing some procurement and personnel functions, consolidating some equipment purchases, collocating offices, improving telecommunications systems, and reducing the vehicle fleet, which saved $600,000.

Travel

Because of reductions and unrealized administrative savings, it may be that the Office of the Secretary is asking the operating agencies to pay for travel of Office of the Secretary employees.

Question: Has this occurred? Under what circumstances? Can you please tell us how much?

Answer: The Office of the Secretary does not have a policy of having operating agencies pay for travel for Office of the Secretary employees. There have been some occasions when Office of the Secretary employees' travel was paid by operating agencies. The Office of Surface Mining and the Bureau of Reclamation paid for Office of the Secretary employees' to attend a Departmental safety conference to assist in bureau program presentations. This would usually be at the request of the bureau, to participate in a specific meeting or project or attend a field briefing on bureau operations. This is the exception rather than the rule. It is estimated that bureaus pay less than $6,000 of the cost of Secretarial travel.

Distribution of Cost for Wage Surveys

Another indication of the Office of the Secretary trying to have the Bureaus and Offices pay for expenses is a March 28, 1986 memo from the Director of Personnel to Heads of Bureaus and Offices informing them that they must pay for salary surveys conducted by the Bureau of Labor statistics, Department of Labor.

Question: How have these surveys been paid for in the past?

Answer: The Department of Labor performs these salary surveys for pay comparability purposes for the benefit of all government agencies and bills a pro-rata share of this total cost to Departments and major agencies. The cost for the Department of the Interior is billed by Labor to the Office of the Secretary. The Department's cost of these and similar surveys for blue collar scheduled employees have always been charged to the bureaus of the Department based on employee population.

Question: Why are you now billing the agencies for this?

Answer: The survey in question is for white collar scheduled employees performed by the Department of Labor and billed to the Department. This is a new survey, conducted government wide. The cost of this survey was billed to the bureaus based on population, consistent with the manner in which these have always been handled .

Question: What other costs have you asked the agencies to pay that they have not had to pay in the past? Are there other items that you will bill them for in the balance of the fiscal year?

Answer: The Department, from time to time, joins with other agencies in cooperative studies or projects that provide benefits to bureau programs. Under the provisions of the Economy Act, the Department reimburses these agencies for the cost of their services. In turn, the participating bureaus pay their proportionate share of the costs. Examples of this would include the Consolidated Federal Funds Report provided to the Congress, the wage surveys performed by the Department of Labor, and the Consumer Information Center provided by the GSA.

Petroleum Conservation

43 U.S.C. 1457 lists the duties of the Secretary of the Interior. Among the duties is petroleum conservation.

Question: Could you tell us what the petroleum conservation duties are and how they are carried out in the Department? What costs are associated with these functions? Where do they appear in the budget request?

Answer: The notes in the United States Code, 1982 edition, following the text of 43 U.S.C., 1457 state that "petroleum conservation" is included as a subject supervised by the Secretary under the authority of Executive Order No. 10752 (February 12, 1958), 15 U.S.C., 715j note. This Executive Order designated the Secretary as the President's agent for administration of the Connally Hot Oil Act of 1935, 15 U.S.C., 715-715k. The Secretary also has general responsibilities for the conservation of mineral resources owned by the United States, pursuant to the Mineral Leasing Act of 1920, 30 U.S.C., 181 et seq., the Outer Continental Shelf Lands Act, 43 U.S.C., 1331 et seq., and other leasing laws.

For many years, the Secretary has not budgeted, and the Congress has not appropriated, any funds for implementation of the Connally Hot Oil Act. The Secretary's general mineral conservation responsibilities are carried out under the various mineral programs with no separate costs or budget identified.

Emergency Preparedness

Question: What emergency preparedness functions does the Secretary of the Interior have? (43 U.S.C. 1457 notes) How are these functions carried out?

Answer: The Secretary of the Interior, assisted by the Under Secretary, provides executive direction and overall supervision of the Department's emergency activities to ensure the preservation of continuity of operations and performance of essential functions during crises situations, to include nuclear attacks on the United States.

Consistent with applicable statutes and Executive Orders, the Secretary of the Interior is responsible for the development and maintenance of measures that will assure the Department has a capability to effectively and decisively cope uninterrupted in all phases of a national emergency. Such measures include preparation of plans and procedures that establish a sufficient medium for: (a) succession to office; (b) pre-delegation of authority; (c) safekeeping of essential records; (d) emergency relocation sites supported by communications and required services; (e) emergency action steps; (f) alternate headquarters command facilities; and, (g) protection of Interior resources, facilities, and personnel.

In line with the direction contained in Executive Order 11490, Part 7, Section 701, the Secretary shall also prepare national emergency plans, develop programs, and encourage the exploration, development and mining of strategic and critical minerals for emergency purposes; provide guidance and leadership to assigned industries in the development of plans and programs to ensure the continuity of production in the event of an attack; and, cooperate with the Department of Commerce in the identification and evaluation of essential facilities.

To achieve the state of readiness required at the national level as described in the preceding paragraphs, the Secretary of the Interior has identified a staff of two full-time employees, one professional and one clerical assistant, for this purpose Department-wide.

Question: What costs are associated with these functions?

Answer: Supporting headquarters costs are approximately $60,000 per year. This amount includes the salaries of one professional and one clerical assistant at the Departmental level to accomplish the emergency preparedness functions and responsibilities assigned to the Secretary of the Interior across bureau lines at both the national and regional levels, a total 70,000 employees.

Question: Where do they appear in the budget request?

Answer: These funds are budgeted in the Office of Administrative Services, Division of Enforcement and Security Management.

Annual Reports

43 U.S.C. 1465 puts a limit of 1,250 pages on the annual reports of the department and of all its bureaus and establishments.

Question: Was the Department in compliance with this provision in 1985?

Answer: Yes. The Department was in compliance with this provision as well as others mandated by OMB or GPO with regard to the publication of reports. Annual reports issued by the bureaus in FY 1985 were less than 1,000 pages.

Question: Who in the Department assures compliance with this provision?

Answer: The Office of the Secretary's Office of Public Affairs is responsible for the publication management control system for all of the bureaus. The program's focus is on reducing publication costs, sharing of facilities and elimination of duplicative, nonessential materials from the Departmental inventory.

Fire Suppression Costs

Fire suppression costs are an expensive, but necessary, item of expense.

Question: When your employees perform fire fighting services, do they receive regular rates of pay without regard to Sundays, Federal holidays, and the regular workweek? (43 U.S.C. 1469)

Answer: Employees who perform fire fighting services on Sundays and holidays (if they normally receive holiday pay) would receive premium pay for the first eight hours work on such days and overtime beyond eight hours. During a regular workweek, they would receive overtime for hours in excess of eight hours per day, unless they were on a "first 40 hour" tour of duty in which case they would only be paid overtime for work during the week in excess of 40 hours.

DEPARTMENTAL TABLE
OFFICE OF CONGRESSIONAL AND LEGISLATIVE AFFAIRS

Question: Provide for the record a table showing for each agency and bureau in the Department the staff and dollars associated with Congressional and Legislative Affairs for FY 1985, FY 1986, and FY 1987.

Answer: The information follows:

	FY 1985		FY 1986		FY 1987	
Bureau	FTE's	$000	FTE's	$000	FTE's	$000
BLM	4	120	4	120	4	120
MMS	5	227	6	229	6	239
OSM	3	97	4	144	4	148
REC	5	174	5	196	5	183
USGS	4	172	4	181	4	179
BOM	6	221	5	175	5	183
FWS	6	300	7	296	7	296
NPS	15	634	14	652	14	652
BIA	5	286	5	257	5	270
TIA	1	28	1	29	1	30
SEC	25	1,180	24	1,046	24	1,093
SOL	0	0	0	0	0	0
IG	0	0	0	0	0	0
TOTAL	79	3,439	79	3,325	79	3,393

DEPARTMENTAL TABLE
OFFICE OF PUBLIC AFFAIRS

Question: Provide for the record a table showing for each agency and bureau in the Department the staff and dollars associated with each Bureau or Office's public affairs activity for FY 1985, FY 1986, and FY 1987.

Answer: The information follows:

	FY 1985		FY 1986		FY 1987	
Bureau	FTE's	$000	FTE's	$000	FTE's	$000
BLM	27	973	24	871	24	869 a/
MMS	17	634	18	662	18	687 b/
OSM	6	277	9	389	9	401
REC	60	3,982	39	2,575	39	2,700 c/
USGS	8	327	[illegible]	395	8	400 d/
BOM	8	362	7	315	6	296
FWS	31	1,210	31	1,251	31	1,251 e/
NPS	43	1,757	43	1,753	43	1,753 f/
BIA	5	251	5	126	5	189
TIA	0	0	0	0	0	0
SEC	17	726	16	666	16	696
SOL	0	0	0	0	0	0
IG	0	0	0	0	0	0
TOTAL	222	10,499	200	9,003	199	9,242 g/

a/ About $391,000 is for activity outside the Washington DC area.
b/ About $419,000 is for activity outside the Washington DC area.
c/ About $1,998,000 is for activity outside the Washington DC area.
d/ About $100,000 is for activity outside the Washington DC area.
e/ About $563,000 is for activity outside the Washington DC area.
f/ About $1,101,000 is for activity outside the Washington DC area.
g/ About $4,572,000 is for activity outside the Washington DC area.

Secretary's Immediate Office

Question: Is 26 FTE's still the target for the Immediate Office of the Secretary? If so, how do you plan to reduce the staff to meet the budget? If not, what is the new target, and how will you be able to meet it? Do you plan a reprogramming?

Answer: Although the level of on-board employment in the Secretary's Immediate Office has declined from 36 in September to 31 in March, it is apparent that the current target level of 26 will not be sufficient this fiscal year. Several projects have required staff support which was not anticipated. These include Navajo-Hopi, Kesterton and California Offshore Leasing, to name just a few areas which have required increased staff resources. It is anticipated that while some economies may be forthcoming, approximately 31 FTE's may be required in the Secretary's Immediate Office in FY 1986. In the event that the budgeted amount of $1,365,000 plus the 10% allowance for reprogramming is not sufficient to operate the office, a formal reprogramming request will be submitted as required.

Question: Other than salaries and benefits, what other expenses are associated with the Secretary's immediate office?

Answer: Other expenses associated with the Secretary's Immediate Office include the usual operating costs for an office; including travel, communications, utilities and other rent, printing, other services, supplies and small equipment purchases. A total of $199,000 is budgeted for these items in FY 1986.

Congressional and Legislative Affairs

Question: How many statutory reports to the Congress must the Office of Congressional and Legislative Affairs monitor, prepare in a timely fashion, clear, and deliver to Congress?

Answer: The Office of Congressional and Legislative Affairs reviews statutory and other reports to congress on an ongoing basis. Please see the attached Departmental Manual Chapter which references the various responsibilities involved in the preparation and coordination of these reports.

For the record, we have enclosed the attached listing of statutory and other reports to Congress, which are prepared by various entities within the Department, but reviewed and monitored by this Office. Reports are reviewed to assure that they contain the information required, that the information is presented clearly, and that appropriate intradepartmental review has taken place. In addition, the Office coordinates any required Office of Management and Budget clearance of the report.

The Office annually prepares the Secretary of the Interior's portion of the Annual Wilderness Report, concerning the status of the National Wilderness Preservation System. The report, required by the Wilderness Act of 1964 (P.L. 88-577), is submitted jointly with the Secretary of Agriculture, to the President, who then submits it to the Congress.

Question: Provide for the record a list of all the statutory reports that go to congress.

Answer: The information follows:

STATUTORY REPORTS AND
OTHER REPORTS TO CONGRESS

This Appendix provides a listing of statutory reports and other reports required to be sent to Congress. The reports are grouped and listed by the bureau/office primarily responsible (OPR) for the preparation of each report. OPR abbreviations used to identify each bureau/office are printed on the reverse of this sheet.

Reports Control Symbols (RCS) which are unique identifying numbers assigned to each reporting requirement are shown in the second column of the listing. When a RCS is shown with one or two asterisks (*)(**) it indicates that the report is submitted by two or more bureaus or offices. Also shown with each entry is the report title; the authority for the reporting requirement; and the frequency or due date for reporting.

Any errors, corrections, or omissions to this listing should be reported to the Division of Directives and Regulatory Management, Office of Information Resources Management, Office of the Assistant Secretary--Policy, Budget and Administration.

INDEX TO LIST OF STATUTORY REPORTS

Described below are the acronyms and titles of the bureaus and offices of primary responsibility as well as the page locations for each bureau and office in Appendix 1.

ACRONYM	BUREAU/OFFICE TITLE	PAGE
BIA	Bureau of Indian Affairs	3-4
CL	Office of Congressional and Legislative Affairs	4
FNP	National Park Service	4-9
FWS	Fish and Wildlife Service	9-10
IG	Office of Inspector General	11
LLM	Bureau of Land Management	11-13
LMS	Minerals Management Service	13-14
LSM	Office of Surface Mining Reclamation and Enforcement	14
OEO	Office for Equal Opportunity	14
OYP	Office of Youth Programs	14
PAM	Office of Acquisition and Property Management	14
PBA	Assistant Secretary - Policy, Budget and Administration	15
PFM	Office of Financial Management	15
PIR	Office of Information Resources Management	15
PMO	Office of Administrative Services	15-16
POB	Office of Budget	16
PPM	Office of Personnel	16
SOL	Office of the Solicitor	16
TIA	Assistant Secretary - Territorial and International Affairs	16-17
WBM	Bureau of Mines	17
WBR	Bureau of Reclamation	17-20
WGS	Geological Survey	20
WS	Assistant Secretary - Water and Science	20

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
BIA	CON-61-098	REPORT OF PROPOSED CONTRACTS FOR TRANSACTIONS RELATED TO GOVERNMENT-OWNED UTILITIES AND UTILITY SYSTEMS AND APPURTENANCES	25 USC 15 PL 87-279 75 STAT 577	60 DAYS BEFORE CONTRACT EXECUTION
BIA	CON-32-104A	ADJUSTMENT OR ELIMINATION OF REIMBURSABLE DEBTS OF INDIANS OR INDIAN TRIBES	25 USC 386A PL 97-375	DEC. 1 AFTER OCCURRENCE
BIA	CON-32-104B	CANCELLATION OF IRRIGATION CHGS OF LANDS WITHIN INDIAN RESERVATIONS	25 USC 389E PL 96-470	ANNUALLY
BIA	CON-61-442	RESTORATION TO TRIBAL OWNERSHIP OF UNCLAIMED PER CAPITA AND OTHER INDIVIDUAL PAYMENTS OF TRIBAL TRUST FUNDS	PL 87-283 75 STAT 584 25 USC 165	60 DAYS PRIOR TO RESTORATION
BIA	CON-68-100	ACCEPTANCE OF GIFTS FOR THE BENEFIT OF INDIANS	25 USC 451 PL 90-333 82 STAT 171	ANNUALLY
BIA	CON-73-099	PLAN FOR USE AND DISTRIBUTION OF JUDGEMENT FUNDS	25 USC 1402 PL 97-458 96 STAT 2512	1 YEAR AFTER APPROPRIATION OF FUNDS
BIA	CON-75-107	PLAN FOR USE OF HAVASUPAI RESERVATION TRUST LANDS ADJACENT TO GRAND CANYON NATIONAL PARK	16 USC 228I PL 93-620	90 DAYS BEFORE IMPLEMENTATION OF PLAN
BIA	CON-75-110	PROPOSED REVISIONS & AMENDMENTS TO RULES/REGULATIONS PROMULGATED PURSUANT TO THE INDIAN SELF-DETERMINATION ACT	25 USC 450K(C) PL 93-638 88 STAT 2212	PRIOR TO IMPLEMENTATION
BIA	CON-78-263	REPORT ON FUNDS PROVIDED FOR THE GENERAL LOCAL OPERATION OF BIA SCHOOLS BECAUSE OF EMERGENCY OR UNFORESEEN CIRCUMSTANCES	25 USC 2008(C) PL 95-561, SEC 1128(C)	AS REQUIRED
BIA	CON-78-265	ANNUAL REPORT ON THE STATE OF INDIAN EDUCATION WITHIN BIA; AND SUGGESTIONS FOR IMPROVING THE BIA EDUCATIONAL SYSTEM, ETC.	25 USC 2016 PL 97-375	ANNUALLY
BIA	CON-79-274A	RECRUITMENT/TRAINING OF INDIANS FOR POSITIONS SUBJECT TO INDIAN PREFERENCE LAWS	25 USC 472D PL 96-135, SEC 2	ANNUALLY
BIA	CON-79-274B	NON-INDIAN EMPLOYEES IN OTHER FEDERAL POSITIONS	25 USC 472E PL 96-135 SEC. 2	ANNUALLY
BIA	CON-83-402	REASONS FOR FAILURE TO RECOGNIZE LITTLE SHELL TRIBE OF CHIPPEWA INDIANS OF MONTANA	PL 97-403 SEC. 6 96 STAT 2024	SEPT. 30, 1985

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
BIA	CON-83-410	LEGISLATION TO RESOLVE REPORT SETTING OUT OPTION TO RESOLVE INDIAN CLAIMS	PL 97-394 96 STAT 1979 28 USC 2415	AS NECESSARY
BIA	CON-83-417	PROPOSED LEGISLATION TO AUTHORIZE USE OR DISTRIBUTION OF JUDGMENT FUNDS	PL 97-458 25 USC 1402	AS REQUIRED
BIA	CON-83-418	REQUEST FOR EXTENSION OF TIME TO SUBMIT JUDGMENT FUND PLAN OR LEGISLATION	PL 97-458 25 USC 1402	AS REQUIRED
BIA	CON-83-428	APPENDIX TO PLAN FOR TRIBAL RESERVATION REQUIRED UNDER SECTION 8(A)(2)	PL 98-165 SEC. 8 (D) 97 STAT 1069	NOV. 22, 1985
BIA	CON-83-429	PLAN FOR THE DEVELOPMENT OF A RESERVATION FOR THE CONFEDERATED TRIBES OF THE GRAND RONDE COMM. OF OREGON	PL 98-165 SEC. 8 (A) 97 STAT 1068	NOV. 22, 1985
CL	CON-64-093	STATUS OF THE NATIONAL WILDERNESS PRESERVATION SYSTEM	16 USC 1136 PL 88-577 78 STAT 896	ANNUALLY
CL	CON-66-003	ESTIMATE OF ADDITIONAL EXPENDITURES OVER ONE MILLION DOLLARS FOR PERSONNEL AND OTHER RESOURCES IN PROPOSED LEGISLATION	5 USC 2953 PL 84-801 70 STAT 652	AS REQUIRED
FNP	CON-53-089	PROPOSED AWARDS OF CONCESSION LEASES/CONTRACTS INVOLVING $100,000 OR MORE, OR EXCEEDING 5 YEARS, AND RELATED RULES AND REGULATIONS	16 USC 17B-1 PL 84-712 70 STAT 543	60 DAYS PRIOR TO FINAL ACTION
FNP	CON-60-073	PRESERVATION OF HISTORICAL AND ARCHAEOLOGICAL DATA	16 USC 469A-3(C) PL 93-291 & 96-95 88 STAT 175	ANNUALLY
FNP	CON-60-073A	ACTIVITIES UNDER THE PROVISIONS OF THE ARCHAEOLOGICAL RESOURCES PROTECTION ACT OF 1979	PL 96-95 92 STAT 728 16 USC 470(11)	ANNUALLY
FNP	CON-61-088	LAND EXCHANGE AT CAPE COD NATIONAL SEASHORE	16 USC 459B-1(C) PL 87-126 75 STAT 288	AS REQUIRED
FNP	CON-64-095	REPORT ON RECREATION USE FEES	16 USC 460L-6A(H) PL 92-347 86 STAT 461	ANNUALLY
FNP	CON-64-109**	MODIFICATION OR ADJUSTMENTS OF BOUNDARIES OF WILDERNESS AREAS	16 USC 1132(E) PL 88-577 78 STAT 891	AS REQUIRED

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
FNP	CON-68-087	NATIONAL VISITOR CENTER	40 USC 805(B) PL 90-264 82 STAT 44	ANNUALLY
FNP	CON-68-439	RIVER STUDY IN CONNECTION WITH THE WILD AND SCENIC RIVERS ACT: OBED, TENNESSEE	PL 90-542 82 STAT 906 16 USC 1276	AS REQUIRED
FNP	CON-74-437	RIVER STUDIES IN CONNECTION WITH THE WILD AND SCENIC RIVER ACT: GREEN, YAMPA, COLORADO AND NALICHUCKY RIVERS	PL 93-621 88 STAT 2094 16 USC 1276	AS REQUIRED
FNP	CON-75-433	RIVER STUDY IN CONNECTION WITH WILD AND SCENIC RIVERS ACT: SNAKE RIVER	PL 94-199 89 STAT 1117 16 USC 1276	AS REQUIRED
FNP	CON-76-076	REVISION OF BOUNDARIES OF VALLEY FORGE NATIONAL HISTORICAL PARK	16 USC 410AA-1 PL 94-337 90 STAT 796	PRIOR TO REVISION
FNP	CON-76-086	REVISION OF BOUNDARIES OF KLONDIKE GOLD RUSH NATIONAL HISTORICAL PARK	16 USC 410BB PL 94-327 90 STAT 717	PRIOR TO REVISION
FNP	CON-76-096	FEDERAL SURPLUS REAL PROPERTY PUBLIC BENEFIT DISCOUNT PROGRAM FOR PARKS AND RECREATION	40 USC 484(O) PL 91-485 84 STAT 1085	ANNUALLY
FNP	CON-76-125	REVISION OF BOUNDARIES OF THE NINETY SIX NATIONAL HISTORIC SITES	16 USC 461 NOTE PL 94-393 90 STAT 1196	AS REQUIRED
FNP	CON-76-130	LAND AND WATER CONSERVATION FUND GRANTS-IN-AID PROGRAM	16 USC 460L-8 PL 94-422 90 STAT 1317	ANNUALLY
FNP	CON-76-132	AGREEMENTS TO TRANSFER JURISDICTION OVER NATIONAL PARK SYSTEM LANDS OR INTERESTS	16 USC 1A-3 PL 94-458 90 STAT 1939	60 DAYS PRIOR TO FINAL AGREEMENT
FNP	CON-76-133	REPORTS ON AREAS OF NATIONAL SIGNIFICANCE FOR INCLUSION IN THE NATIONAL PARK SYSTEM	16 USC 1A-5 PL 94-458 90 STAT 1940	ANNUALLY
FNP	CON-76-134	ANTICIPATED DAMAGE OR THREATS TO AREAS INCLUDED ON THE REGISTRY OF NATIONAL LANDMARKS AND NATIONAL REGISTER OF HISTORIC PLACES	16 USC 1A-5 PL 94-458 90 STAT 1940	ANNUALLY
FNP	CON-76-135	PROGRAM FOR DEVELOPMENT OF FACILITIES, STRUCTURES, OR BUILDINGS FOR EACH UNIT OF THE NATIONAL PARK SYSTEM	16 USC 1A-7 PL 94-458 90 STAT 1942	ANNUALLY

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
FNP	CON-76-157	NOTICE OF PROPOSED EXPENDITURE EXCEEDING $1,000,000 FOR ACQUISITION OF LAND, WATERS, OR INTERESTS THEREIN	16 USC 460L-9(A) PL 95-42 91 STAT 210	30 DAYS BEFORE EXPENDITURE
FNP	CON-77-158	NOTICE OF BOUNDARY CHANGES, AND ACQUISITION, TRANSFER, & EXCHANGE OF LANDS, WATERS OR INTERESTS THEREIN OF AREAS OF THE NATIONAL PARK SYSTEM	16 USC 460L-9(C) PL 95-42 91 STAT 211	PRIOR TO IMPLEMENTATION
FNP	CON-78-182	STATUS OF LAND ACQUISITION FOR THE APPALACHIAN TRAIL	16 USC 1249(A)(1) PL 95-248 92 STAT 160	ANNUALLY
FNP	CON-78-183	NOTICE OF LAND ACQUISITION IN REDWOOD NATIONAL PARK, CA BASED ON FINDINGS OF POTENTIAL PHYSICAL DAMAGE TO PARK RESOURCES	16 USC 79B(C) PL 95-250 92 STAT 163	PRIOR TO ACTION
FNP	CON-78-186	STATUS OF ACTIONS TAKEN TO IMPLEMENT THE PROVISIONS OF P.L. 95-250 RELATING TO THE REDWOOD NATIONAL PARK, CALIFORNIA	16 USC 79M(A) PL 95-250 92 STAT 170	ANNUALLY UNTIL JANUARY 1, 1989
FNP	CON-78-189	STATEMENT OF MONEY EXPENDED FOR ACTIVITIES CONCERNING LOWELL NATIONAL HISTORICAL PARK	16 USC 410CC-13 PL 95-290 92 STAT 282	SEMI-ANNUAL
FNP	CON-78-192	REPORT OF LOANS, GRANTS, AND TECHNICAL ASSISTANCE PROVIDED FOR THE LOWELL NATIONAL HISTORICAL PARK	16 USC 410CC-33(E) PL 95-290 92 STAT 301	ANNUALLY
FNP	CON-78-193	NOTICE OF BOUNDARY CHANGES TO THE CHATTAHOOCHEE RIVER NATIONAL RECREATION AREA, GEORGIA	16 USC 460II PL 95-344 92 STAT 474	PRIOR TO REVISION
FNP	CON-78-195	PROPOSALS FOR ACQUISITION OF CAPITAL EQUIPMENT OR LAND FOR NATIONAL PARK SYSTEM TRANSPORTATION PROJECTS	16 USC 2302(C) PL 95-344 92 STAT 479	60 DAYS PRIOR TO ACTION
FNP	CON-78-197	PROPOSED NATIONAL PARK SYSTEM TRANSPORATION PROJECTS EXCEEDING AN EXPENDITURE OF $100,000	16 USC 2304(B) PL 95-344 92 STAT 479	60 DAYS PRIOR TO ACTION
FNP	CON-78-202	NOTICE OF BOUNDARY CHANGES TO THE WAR IN THE PACIFIC NATIONAL HISTORICAL PARK, GUAM	16 USC 410CC(B) PL 95-348 92 STAT 492	90 DAYS PRIOR TO ACTION
FNP	CON-78-236	COMPREHENSIVE MANAGEMENT PLAN FOR THE PINELANDS NATIONAL RESERVE IN NEW JERSEY	16 USC 471I(G) PL 95-625 92 STAT 3492	90 DAYS BEFORE IMPLEMENTATION
FNP	CON-78-249	MANAGEMENT PLAN FOR THE UPPER DELAWARE RIVER, NEW YORK AND PENNSYLVANIA	16 USC 1274,NOTE PL 95-625 92 STAT 3525	90 DAYS BEFORE EFFECTIVE DATE

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
FNP	CON-78-254	IMPACT OF THE FIVE YEAR URBAN PARK AND RECREATION RECOVERY PROGRAM	16 USC 2514(A) PL 95-625 92 STAT 3544	90 DAYS AFTER PROGRAM EXPIRES
FNP	CON-78-255	ANNUAL ACHIEVEMENTS OF THE INNOVATIVE GRANT PROGRAM AUTHORIZED BY THE URBAN PARK AND RECREATION RECOVERY ACT OF 1978	16 USC 2514(B) PL 95-625 92 STAT 3544	ANNUALLY, BY DECEMBER 31
FNP	CON-79-279	NATURAL RESOURCE STUDY REPORT SANTA ROSA ISLAND	P.L. 96-199 94 STAT 75-76 16 USC 410FF-2	BIENNIALLY
FNP	CON-80-280	REPORT TO SURVEY PRESIDENTIAL MONUMENT SITES	16 USC 467B PL 96-199 94 STAT 73	AS COMPLETED
FNP	CON-80-290	REPORT ON GENERAL MANAGEMENT PLANS FOR UNITS OF THE NATIONAL PARK SYSTEM	PL 95-625 16 USC 1A-5 92 STAT 3518	ANNUALLY
FNP	CON-80-306	ADAMS NATIONAL HISTORIC SITE - SEPARATION OF CHURCH AND STATE REPORT	PL 96-435 94 STAT 1861	PRIOR TO ACC. OF CHURCH PROPERTY
FNP	CON-80-309	NOMINATION OF PROPERTIES TO WORLD HERITAGE COMMITTEE ON BEHALF OF U.S.	PL 96-515 94 STAT 3000 16 USC 470A	PERIODICALLY
FNP	CON-80-310	PROPOSED REGULATION REQUIRED BY THE NATIONAL HISTORIC PRESERVATION ACT	PL 96-515 94 STAT 3004 16 USC 470W-6	30 DAYS BEFORE PUB. IN FED. REGISTER
FNP	CON-80-312	REVIEW OF THE OPERATION OF THE HISTORIC PRESERVATION FUND & THE NATIONAL PRESERVATION PROGRAM	PL 96-515 94 STAT 3005 16 USC 470H NOTE	JUNE 1, 1986
FNP	CON-80-318**	AK NAT. INT. LANDS - INTENT TO MAKE MINOR ADJUSTMENTS IN BOUNDARIES OF THE AREAS ADDED TO OR ESTABLISHED BY ANILCA	PL 96-487 94 STAT 2377 16 USC 3103(B)	AS OCCURS
FNP	CON-80-319	GATES OF THE ARCTIC NATIONAL PARK BOUNDARY CHANGES	PL 96-487 94 STAT 2537	90 DAYS BEFORE
FNP	CON-80-327**	RECOMMENDATIONS FOR DESIGNATING ADDITIONAL LANDS AS WILDERNESS IN ALASKA	PL 96-487 94 STAT 2487 43 USC 1784	AS OCCURS
FNP	CON-80-331	CONSERVATION & MGT. PLAN FOR EACH UNIT OF THE NPS ESTABLISHED OR TO WHICH ADDITIONS ARE MADE BY ALCA	PL 96-487 94 STAT 2472 16 USC 3191	DEC. 2, 1985

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
FNP	CON-80-335	PROPOSED DESIGNATION OR ACQUISITION OF ARCHEOLOGICAL & PALENTOLOGICAL SITES -ALCA	PL 96-487 SEC. 1304	AS OCCURS
FNP	CON-80-336	BOUNDARIES FOR NATIONAL HISTORIC LANDMARK DISTRICTS	PL 96-515 94 STAT 1988 16 USC 470A	AS ESTABLISHED
FNP	CON-80-339**	REPORT ON LOCAL HIRE AND RECOMMENDATIONS FOR LEGISLATION ON FURTHERANCE OF LOCAL HIRE	PL 96-487 94 STAT 2480 16 USC 3198	ANNUALLY
FNP	CON-80-342**	GENERAL WILDERNESS REVIEW - AK	PL 96-487 SEC. 1317 94 STAT 2485	DEC. 2, 1985
FNP	CON-80-343**	WILDERNESS CABINS REPORT - AK	PL 96-487 94 STAT 2485 16 USC 3203(D)	AS OCCURS
FNP	CON-80-353	NOTIFICATION SETTING FORTH REASONS FOR MAKING A REGULATION EFFECTIVE PRIOR TO EXPIRATION OF 30 DAY PERIOD (HISTORIC PRESERVATION ACT)	PL 96-515 94 STAT 3004 16 USC 470W	AS OCCURS
FNP	CON-80-354	RECOMMENDED CHANGES IN THE LIST OF CHACO CULTURE ARCHAEOLOGICAL PROTECTION SITES	PL 96-550 SEC. 503 94 STAT 3228	AS NEEDED
FNP	CON-80-373	STUDY OF THE DESIGNATED REC. AREAS ALONG THE MISSISSIPPI, SAINT CROIX, & MINNESOTA RIVERS (STUDY COMMITTEE)	PL 96-607 94 STAT 3543	45 DAYS AFTER EVENT
FNP	CON-80-382	NATIONAL PARK SYSTEM PLAN	PL 96-199 94 STAT 69 16 USC 1A-5	ANNUALLY
FNP	CON-83-391	CARRYING CAPACITY - ISLE AU HAUT; PORTION OF ARCADIA NATIONAL PARK	PL 97-335 96 STAT 1628 16 USC 341	QUINQUENNIALLY
FNP	CON-83-392	ACTION TAKEN TO PREVENT DAMAGE TO THE SCENIC SOIL OR WATER RESOURCES OF THE SLEEPING BEAR DUNES NATIONAL SEASHORE	PL 97-361 96 STAT 1721	AS OCCURS
FNP	CON-83-393	WOLF TRAP - FILENE CENTER GRANT REPORT	PL 97-310 96 STAT 1457 16 USC 284F	QUARTERLY
FNP	CON-83-427	NATIONAL TRAILS SYSTEM PLAN	PL 99-11 97 STAT 43 16 USC 1242	BIENNALLY ODD NUMBER YRS.

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STATUTORY AND OTH... REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
FNP	CON-83-434	FEASIBILITY STUDY IN CONNECTION WITH THE NATIONAL TRAILS SYSTEM ACT: DE ANZA, TRAIL OF TEARS, ILLINOIS AND JED SMITH	PL 98-11 97 STAT 44 16 USC 1244	OCTOBER 1, 1986
FNP	CON-83-435	COMPREHENSIVE MANAGEMENT PLAN FOR NATCHEZ TRACE AND POTOMAC HERITAGE NATIONAL SCENIC TRAILS	PL 98-11 97 STAT 42 16 USC 1244	OCTOBER 1, 1985
FNP	CON-84-450	MAINTENANCE MANAGEMENT SYSTEM PROGRESS REPORT	PL-98-540 SEC. 4.(B) 98 STAT 2720	ANNUALLY SEPTEMBER 30
FNP	CON-84-451	PLANNED ACTION ON THE CHATTAHOOCHEE RIVER NATIONAL RECREATION AREA CORRIDOR	PL 98-568 SEC. 105(C)(3) 98 STAT 2930	AS REQUIRED
FWS	CON-34-038**	REPORTS ON INVESTIGATIONS OF EFFECTS OF SEWAGE; MINE AND & INDUSTRIAL POLLUTION ON WILDLIFE	16 USC 665 PL 79-732 60 STAT 1081	AS REQUIRED
FWS	CON-56-3-5003	DIVISION OF PROGRAM OPERATIONS - FISHERIES - PROPAGATION AND DISTRIBUTION OF FISHES FROM NATIONAL FISH HATCHERIES	16 USC 742D PL 84-1024 70 STAT 1121	ANNUALLY
FWS	CON-58-3-5004	DIVISION OF PROGRAM OPERATIONS - FISHERIES ANNUAL REPORT-STATISTICAL APPENDIX	VOLUNTARY	ANNUALLY
FWS	CON-58-3-5005	DISPOSITION OF INTERESTS OR GRANTS OF NONWILDLIFE PRIVILEGES ON WILDLIFE LANDS	CONGRESS-COMMITTEE REQUEST	QUARTERLY
FWS	CON-64-109*	MODIFICATION OR ADJUSTMENTS OF BOUNDARIES OF WILDERNESS AREAS	16 USC 1132(E) PL 88-577 78 STAT 891	AS REQUIRED
FWS	CON-65-3-5001	REPORT ON STUDIES UNDER THE ANADROMOUS FISH CONSERVATION ACT	16 USC 757B PL 89-304 79 STAT 1125	AS COMPLETED
FWS	CON-72-3-5000	ADMINISTRATION AND STATUS REPORT ON THE MARINE MAMMAL PROTECTION ACT OF 1972	16 USC 1373(F) PL 92-522 86 STAT 1027	ANNUALLY
FWS	CON-74-039	PERSONNEL DETAILED TO AND EQUIPMENT LOANED FROM FEDERAL AGENCIES BY THE U.S. FISH AND WILDLIFE SERVICE	16 USC 743A(C) PL 96-470	OCT. 1 AFTER OCCURRENCE
FWS	CON-79-278	STRIPED BASS REPORT - ANADROMOUS FISH ACT	16 USC 757 (G) PL 96-118 93 STAT 859	ANNUALLY

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
FWS	CON-80-318*	AK NAT. INT. LANDS - INTENT TO MAKE MINOR ADJUSTMENTS IN BOUNDARIES OF THE AREAS ADDED TO OR ESTABLISHED BY ANILCA	PL 96-487 94 STAT 2377 16 USC 3103(B)	AS OCCURS
FWS	CON-80-321	REPORT ON THE IMPLEMENTATION OF THE ALASKA NATIONAL INTEREST LANDS CONSERVATION ACT	PL 96-487 94 STAT 2428 16 USC 3123	DEC. 2, 1984 & EVERY 3 YRS AFTER
FWS	CON-80-324	ARCTIC NATIONAL WILDLIFE REFUGE COASTAL PLAIN RESOURCES ASSESSMENT	PL 96-487 94 STAT 2452 16 USC 3142(H)	SEPT. 2, 1986
FWS	CON-80-327*	RECOMMENDATIONS FOR DESIGNATING ADDITIONAL LANDS AS WILDERNESS IN ALASKA	PL 96-487 94 STAT 2487 43 USC 1784	AS OCCURS
FWS	CON-80-329	CONSERVATION PLANS FOR NATIONAL WILDLIFE REFUGES (AK)	PL 96-487 94 STAT 2395	AS OCCURS
FWS	CON-80-334	PROPOSALS FOR LEGISLATION NECESSARY TO CARRY THE BRISTOL BAY COOPERATIVE MANAGEMENT PLAN	PL 96-487 94 STAT 2472 16 USC 3183(E)	AS OCCURS
FWS	CON-80-337	ADEQUACY OF MAX. ANN. PAYMENT OF $5,000,000 TO REIMBURSE AK FOR THE ESTABLISHMENT & OPERATION OF REGIONAL ADVISORY COUNCILS	PL 96-487 94 STAT 2425 16 USC 3115(E)	QUINQUENNIALLY
FWS	CON-80-338	REPORT ON THE PROVISIONS OF THE STATE (AK) OF SUBSISTENCE PREFERENCE SET FORTH IN SECT. 804 - 16 USC 3116	PL 96-487 94 STAT 2425 16 USC 2116	ANNUALLY
FWS	CON-80-339*	REPORT ON LOCAL HIRE AND RECOMMENDATIONS FOR LEGISLATION ON FURTHERANCE OF LOCAL HIRE	PL 96-487 94 STAT 2480 16 USC 3198	ANNUALLY
FWS	CON-80-342*	GENERAL WILDERNESS REVIEW - AK	PL 96-487 SEC. 1317	DEC. 2, 1987
FWS	CON-80-343*	WILDERNESS CABINS REPORT - AK	PL 96-487 94 STAT 2485 16 USC 3203(D)	AS OCCURS
FWS	CON-80-369**	WAIVERS OF MINIMUM FUNDING & STAFFING REQUIREMENTS FOR TECHNOLOGY TRANSFER FROM FEDERAL LABORATORIES	PL 96-480 94 STAT 2318 16 USC 3710(B)	ANNUALLY
FWS	CON-82-432	COASTAL BARRIERS MAP REVIEW AND BOUNDARY MODIFICATIONS	PL 97-348 96 STAT 1655 16 USC 3503	OCTOBER 1987 THEREAFTER QUINQUENNIALLY

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STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
IG	CON-68-021	AUDIT OF THE ANNUAL REPORT OF THE GOVERNMENT OF THE VIRGIN ISLANDS ON ITS FISCAL CONDITION	PL 97-357 96 STAT 1710 48 USC 1541	UPON RECEIPT OF THE ANNUAL REPORT
IG	CON-68-023	AUDIT OF THE ANNUAL REPORT OF THE GOVERNMENT OF GUAM ON ITS FISCAL CONDITION	PL 97-357 96 STAT 1705 48 USC 1422	UPON RECEIPT OF THE ANNUAL REPORT
IG	CON-73-024	AUDIT OF THE ANNUAL REPORT OF THE GOVERNMENT OF GUAM ON THE FINANCIAL CONDITION OF THE TRUST TERRITORY OF THE PACIFIC ISLANDS	PL 97-357 96 STAT 1707 48 USC 1692	UPON RECEIPT OF THE ANNUAL REPORT
IG	CON-77-168	AUDIT OF THE ANNUAL REPORT ON THE FISCAL CONDITION OF THE GOVERNMENT OF AMERICAN SAMOA	PL 97-357 96 STAT 1711 48 USC 1668	UPON RECEIPT OF THE ANNUAL REPORT
IG	CON-78-226	SEMIANNUAL REPORT ON OPERATION OF THE OFFICE OF INSPECTOR GENERAL	5 USC APP I PL 95-452 92 STAT 1103	SEMIANNUAL
IG	CON-78-227	REPORT OF SERIOUS OR FLAGRANT PROBLEMS, ABUSES, OR DEFICIENCIES RELATING TO ADMINISTRATION OF DEPARTMENT PROGRAMS AND OPERATIONS	5 USC APP PL 95-452 92 STAT 1104	AS REQUIRED
IG	CON-83-414	RESULTS OF AUDITS IN THE FEDERAL ROYALTY MANAGEMENT SYSTEM	PL 97-451 96 STAT 2461 30 USC 1752	BIENNIALLY
LLM	CON-20-3100-1	COMPENSATORY ROYALTY AGREEMENTS RELATING TO OIL OR GAS	30 USC 226(G) PL 86-705	ANNUALLY
LLM	CON-71-4700-2	PROTECTION OF WILD HORSES AND BURROS ACT	16 USC 1340 PL 92-195 85 STAT 651	BIENNIALLY
LLM	CON-73-069	NOTICES REGARDING RIGHTS-OF-WAY FOR PIPELINES 24 INCHES OR MORE IN DIAMETER	30 USC 185(W)(2) PL 93-153 87 STAT 583	AS REQUIRED
LLM	CON-73-071	GRANTS OF RIGHTS-OF-WAY FOR PIPELINES THROUGH FEDERAL LAND	30 USC 185(W)(1) PL 93-153 87 STAT 583	ANNUALLY
LLM	CON-76-113	FEDERAL COAL MANAGEMENT REPORT	30 USC 208-2 PL 94-377 90 STAT 108	ANNUALLY BY APRIL 1
LLM	CON-76-122	SIZE & CONDITION OF THE TULE ELK HERDS IN CALIFORNIA	PL 97-375 16 USC 673F	TRIENNIALLY

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STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
LLM	CON-76-144	EXCLUSIONS OF ONE OR MORE PRINCIPAL USES FOR TWO OR MORE YEARS ON PUBLIC LANDS EXCEEDING 100,000 ACRES	43 USC 1712(E)(2) PL 94-579 90 STAT 2749	AS REQUIRED
LLM	CON-76-145	SALES OF TRACTS OF PUBLIC LANDS EXCEEDING 2500 ACRES	43 USC 1713(C) PL 94-579 90 STAT 2750	90 DAYS BEFORE SALE
LLM	CON-76-146	NOTICE OF LAND WITHDRAWALS AGGREGATING 5,000 ACRES OR MORE	43 USC 1714(C)(1) PL 94-579 90 STAT 2752	PRIOR TO EFFECTIVE DATE
LLM	CON-76-147	NOTICE OF EMERGENCY LAND WITHDRAWALS	43 USC 1714(E) PL 94-579 90 STAT 2753	IMMEDIATELY AT TIME OF ACTION
LLM	CON-76-148	REVIEWS AND EXTENSIONS OF WITHDRAWALS OF LANDS	43 USC 1714(F) PL 94-579 90 STAT 2753	AS REQUIRED
LLM	CON-76-150	MANAGING THE NATIONS PUBLIC LANDS	43 USC 1741(A) PL 94-579 90 STAT 2768	ANNUALLY
LLM	CON-76-153	MANAGEMENT PROGRAM FOR THE CALIFORNIA DESERT CONSERVATION AREA	43 USC 1781(I) PL 94-579 90 STAT 2784	ANNUALLY
LLM	CON-76-176	REVIEW OF LAND WITHDRAWALS EXISTING ON OCTOBER 21, 1976 AND RECOMMENDATIONS TO CONTINUE OR TERMINATE SUCH WITHDRAWALS	43 USC 1714(L)(2) PL 94-579 90 STAT 2751	PRIOR TO OCT. 21, 1991
LLM	CON-78-228	JOINT DOI/DOA REPORT ON THE EXPERIMENTAL PROGRAM TO IMPROVE THE CONDITION OF PUBLIC RANGELANDS UNDER PERMIT OR LEASE	43 USC 1908(B) PL 95-514, SEC 12(B)	DEC. 31, 1985
LLM	CON-80-322	REPORT ON THE PROGRESS OF FEDERAL NORTH SLOPE LANDS STUDIES, O&G LEASING PROGRAM & MINERAL ASSESSMENTS	PL 96-487 94 STAT 2449 16 USC 3141	DEC. 2, 1988 ANNUALLY
LLM	CON-80-323	REPORT OF SUITABILITY OR NONSUITABILITY FOR PRESERVATION AS WILDERNESS OF THE FED. LANDS DESCRIBED IN SECT. 1001	PL 96-487 94 STAT 2453 16 USC 3144	SEPT. 2, 1986
LLM	CON-80-325	REPORT ON O&G LEASING PROGRAMS FOR NON-NORTH SLOPE FEDERAL LANDS	PL 96-487 94 STAT 2455 16 USC 3148(B)	ANNUALLY
LLM	CON-80-328	LAND WITHDRAWALS, MORE THAN 5,000 ACRES - AK	PL 96-487 94 STAT 2488 16 USC 3213	AS OCCURS

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Replaces 4/25/84 #2569

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
LLM	CON-80-345	NEVADA & LAKE TAHOE BASIN LAND DISPOSAL AND ACQUISITION INCOME AND EXPENDITURE REPORT	PL 96-586 SEC. 2(1) 94 STAT 3382	BIENNUALLY
LLM	CON-80-349	STUDY OF FEDERAL LANDS ON ALASKA'S NORTH SLOPE	PL 96-487 94 STAT 2449 16 USC 3141	DEC. 2, 1988
LLM	CON-83-413	COPY OF A NOTICE OF THE PROPOSED REINSTATEMENT OF A TERMINATED LEASE	PL 97-451 96 STAT 2464 30 USC 226	AS OCCURS
LLM	CON-83-419	GRAZING FEE REVIEW AND EVALUATION	PL 95-514 92 STAT 1803 43 USC 1908	DEC. 31, 1985
LLM	CON-83-422	MANAGING THE PUBLIC LANDS (SOIL, WATER, AIR AND LIVESTOCK GRAZING PORTIONS)	PL 94-579 90 STAT 27 43 USC 1744	ANNUALLY OCTOBER 20
LMS	CON-53-029	REFUNDS ON OUTER CONTINENTAL SHELF LEASES	43 USC 1339(B) PL 83-212 67 STAT 469	30 DAYS PRIOR
LMS	CON-78-205	NOTICE OF BIDDING SYSTEM AND DESIGNATION OF TRACTS FOR OCS LEASE SALE	43 USC 1337(A)(8) PL 95-372 92 STAT 643	30 DAYS PRIOR TO SALE
LMS	CON-78-206A	ANNUAL REPORT ON THE LEASING AND PRODUCTION PROGRAM IN THE OUTER CONTINENTAL SHELF	43 USC 1343(1) PL 95-372 92 STAT 649	ANNUALLY, BY MARCH 31
LMS	CON-78-206B	REPORT ON VIOLATIONS OF SAFETY REGULATIONS IN THE OCS, AND RESULTS OF DIVING STUDIES	43 USC 1348(G) PL 95-372 92 STAT 657	ANNUALLY
LMS	CON-78-206C	REPORT TO THE COMPTROLLER GENERAL OF SHUT-IN OIL AND GAS WELLS AND WELLS FLARING NATURAL GAS ON LEASES ISSUED UNDER THE OCS LANDS ACT	43 USC 1861 PL 95-372, SEC 601	ANNUALLY
LMS	CON-78-208	ASSESSMENT OF EFFECTS OF OCS LEASING ACTIVITIES ON HUMAN, MARINE, AND COASTAL ENVIRONMENTS	43 USC 1346(E) PL 95-372 92 STAT 654	ANNUALLY
LMS	CON-78-209	STUDY OF SAFETY AND HEALTH REGULATIONS, AND PLAN FOR EXPLORATION, DEVELOPMENT, AND PRODUCTION OF OCS MINERALS	43 USC 1347(A) PL 95-372 92 STAT 654	UNSPECIFIED
LMS	CON-78-210	REVIEW AND REVISION OF ROYALTY PAYMENTS FOR (2 PRECEDING) FISCAL YEARS FOR FEDERAL ONSHORE AND OCS OIL AND GAS LEASES	30 USC 237 PL 95-372 92 STAT 694	ANNUALLY

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
LMS	CON-78-212	INVESTIGATIONS ON THE AVAILABILITY OF OIL AND NATURAL GAS FROM THE OUTER CONTINENTAL SHELF	43 USC 1865(E) PL 95-372 92 STAT 697	BIENNIALLY
LMS	CON-78-223	REPORT AND RECOMMENDATIONS FOR PROMOTING COMPETITION IN THE LEASING OF OCS LANDS	43 USC 1337(2), PL 95-372 92 STAT 649	ANNUALLY, BY MARCH 31
LMS	CON-83-411	REPORT ON IMPLEMENTATION OF THE FEDERAL OIL AND GAS ROYALTY ACT OF 1982	PL 97-451 96 STAT 2461 30 USC 1752	ANNUALLY
LSM	CON-62-036	ANTHRACITE MINE WATER CONTROL & MINE SEALING AND FILLING PROGRAM	30 USC 575 PL 87-818 76 STAT 935	ANNUALLY
LSM	CON-77-162	OPERATIONS UNDER THE ABANDONED MINE RECLAMATION FUND	30 USC 1241 PL 95-87 91 STAT 466	ANNUALLY
LSM	CON-77-163	REPORT ON THE EFFECTIVENESS OF STATE ANTHRACITE COAL SURFACE MINE REGULATORY PROGRAMS	30 USC 1279(B) PL 95-87 91 STAT 515	BIENNIALLY
LSM	CON-77-164	ANNUAL REPORT ON THE SURFACE MINING CONTROL AND RECLAMATION ACT OF 1977	30 USC 1296 PL 95-87 91 STAT 521	ANNUALLY
OEO	CON-64-010	REPORT OF ACTION TERMINATING OR REFUSING TO GRANT OR CONT. FINANCIAL ASSIST. DUE TO DISCRIMINATORY PRACTICES REGARDING RACE, COLOR, OR NAT'L ORGIN.	42 USC 2000D-1 PL 88-352	30 DAYS PRIOR TO TERMINATION ACTION
OYP	CON-70-016	YOUTH CONSERVATION CORPS-JOINT REPORT TO THE PRESIDENT & CONGRESS	16 USC 1705 PL 93-408 88 STAT 1068	ANNUALLY
PAM	CON-58-271	EXTRAORDINARY CONTRACTUAL ACTIONS TAKEN TO FACILITATE THE NATIONAL DEFENSE	50 USC 1434(A) PL 85-805 72 STAT 972	ANNUALLY
PAM	CON-66-040	OMISSION FROM FOREIGN CONTRACTS OF CLAUSE CALLING FOR REVIEW BY COMPTROLLER GENERAL	10 USC 2313 PL 89-607 80 STAT 851	PERIODICALLY
PAM	CON-83-426	CONTRACT NEGOTIATIONS THAT EXCEED THE ALLOWABLE AMOUNT AND ARE NOT APPROVED.	PL 98-72 97 STAT 404 15 USC 638	ANNUALLY NOVEMBER 15
PAM	CON-83-454	ANNUAL REPORT ON COMPETITION	PL 98-369 SEC 2732 98 STAT 1198	JAN. 1986/1999

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
PBA	CON-70-011	STATEMENT OF AGENCY ACTIONS REGARDING GAO REPORT CONTAINING RECOMMENDATIONS TO THE SECRETARY OF THE INTERIOR	PL 97-258 31 USC 720(B) 84 STAT 1171	60 DAYS AFTER TRANSMITTAL TO SECRETARY
PFM	CON-05-005	EXPENDITURE-OBLIGATION IN EXCESS OF APPROPRIATION/ APPORTIONMENT	PL 97-258 31 USC 1517(A) 33 STAT 1257	IMMEDIATELY WHEN VIOLATION OCCURS
PFM	CON-71-CYA34	REPORT ON BUDGET EXECUTION (SF-133)	OMB CIRCULAR A-34	QUARTERLY
PFM	CON-83-415	INTERNAL ACCOUNTING AND ADMINISTRATION CONTROL SYSTEMS COMPLIANCE REPORT	PL 97-255 96 STAT 814	ANNUALLY
PFM	CON-83-416	ACCOUNTING SYSTEM COMPLIANCE REPORT	PL 97-255 96 STAT 814	ANNUALLY
PIR	CON-74-014	NOTICE OF ANY PROPOSAL FOR NEW OR ALTERED PRIVACY ACT RECORDS SYSTEM	5 USC 552(A)(O) PL 93-579 88 STAT 1904	PRIOR TO ACTION
PIR	CON-80-366	RESPONSE TO OMB REPORT ON AGENCY INFORMATION MANAGEMENT ACTIVITIES	PL 96-511 94 STAT 2822 44 USC 3513	60 DAYS AFTER EVENT
PMO	CON-68-015	ACQUISITION OF POWER-OPERATED COLLATORS FOR USE IN FACILITIES OTHER THAN PRINTING PLANTS (JCP FORM 3)	JCP REGULATIONS	AS REQUIRED
PMO	CON-68-065	PRINTING PLANT PRODUCTION REPORT (JCP FORM 1)	JCP REGULATIONS	SEMI-ANNUALLY
PMO	CON-68-066	COMMERCIAL PRINTING REPORT (JCP FORM 2)	JCP REGULATIONS	SEMI-ANNUALLY
PMO	CON-68-067	MAP AND CHART PLANT PRODUCTION REPORT (JCP FORM 4)	JCP REGULATIONS	ANNUALLY
PMO	CON-68-068	ANNUAL PLANT INVENTORY (JCP FORM 5)	JCP REGULATIONS	ANNUALLY
PMO	CON-68-074	ANNUAL INVENTORY OF STORED EQUIPMENT (JCP FORM 6)	JCP REGULATIONS	ANNUALLY

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
PMO	CON-68-082	EXCESS EQUIPMENT DISPOSAL REPORT (JCP FORM 7)	JCP REGULATIONS	AS REQUIRED
PMO	CON-68-084	NOTICE OF COMPLETION OF TRANSACTION AUTHORIZED BY JOINT COMMITTEE ON PRINTING	JCP REGULATIONS	AS REQUIRED
PMO	CON-68-085	DUPLICATING REPORT	JCP REGULATIONS	QUARTERLY
POB	CON-78-094	QUARTERLY REPORT ON REPROGRAMMING OF FUNDS	HOUSE RPT 97-942	QUARTERLY
POB	CON-80-340	BUDGET JUSTIFICATION INCLUDING AN ESTIMATED AMOUNT OF FUNDS FOR CONSULTING SERVICES	PL 97-258 94 STAT 916 31 USC 1114	ANNUALLY
POB	CON-85-453	REPORT ON UTILIZATION OF THE AUTHORITIES CONTAINED IN SECTION 101 & 102 OF DOI ANNUAL APPROPRIATIONS ACTS	HOUSE REPORT 98-886	MONTHLY
PPM	CON-00-123	CONGRESSIONAL DIRECTORY UPDATE REPORT	CONGRESS-COMMITTEE REQUEST	ANNUALLY
PPM	CON-46-124	ORGANIZATION AND PERSONNEL ASSIGNMENTS OF EXECUTIVE DEPARTMENTS AND AGENCIES	CONGRESS-COMMITTEE REQUEST	ANNUALLY FEBRUARY 1
PPM	CON-83-425	QUARTERLY REDUCTION-IN-FORCE (RIF) REPORTS	2/26/82 LETTER FROM CONGRESSMAN BARNES	QUARTERLY 45 DAYS AFTER EACH FY QUARTER
PPM	CON-84-445	ASSIGNMENTS AND DETAILS OF EMPLOYEES	PL 98-473 SEC. 112	MONTHLY
SOL	CON-74-013	ACTIVITIES UNDER THE FREEDOM OF INFORMATION ACT	5 USC 552(D)	ANNUALLY MARCH 1
TIA	CON-74-115	CONVEYANCE OF SUBMERGED LANDS TO TERRITORIAL GOVERNMENTS	PL 93-435 88 STAT 1211 48 USC 1705	60 DAYS PRIOR
TIA	CON-80-281	REPORT ON THE IMPLEMENTATION OF THE RADIATION EXPOSURE, COMPENSATION, RES. AND MEDICAL CARE PLAN	PL 96-205 94 STAT 84 48 USC 1681	ANNUALLY

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
TIA	CON-80-374	PROPOSED TRANSPORTATION OR STORAGE OF SPENT NUCLEAR FUEL OR HIGH LEVEL RADIOACTIVE WASTE ON ANY U.S. TERRITORY OR POSSESSION	PL 96-205 94 STAT 90 48 USC 1491	PRIOR TO AUTHORIZATION
TIA	CON-84-449	TECHNICAL ASISTANCE FOR ECONOMICAL DEVELOPMENT OF THE TERRITORIES	PL 98-454 SEC. 102 98 STAT 1732	JAN. OF 1986, 1987 & 1988
WBM	CON-34-038*	REPORTS ON INVESTIGATIONS OF EFFECTS OF SEWAGE; MINE & INDUSTRIAL POLLUTION ON WILDLIFE	16 USC 665 PL 79-732 60 STAT 1081	AS REQUIRED
WBM	CON-57-VOL2	MINERAL COMMODITY SUMMARIES	VOLUNTARY	ANNUALLY
WBM	CON-60-037	REPORT TO CONGRESS ON MATTERS CONTAINED IN THE HELIUM ACT	50 USC 167N PL 86-777 74 STAT 923	ANNUALLY
WBM	CON-70-033	MINING & MINERALS POLICY - ANNUAL REPORT OF THE SECRETARY OF THE INTERIOR UNDER THE MINING & MINERALS POLICY ACT OF 1970	30 USC 21A PL 91-631 84 STAT 1876	ANNUALLY
WBM	CON-80-369*	WAIVERS OF MINIMUM FUNDING & STAFFING REQUIREMENTS FOR TECHNOLOGY TRANSFER FROM FEDERAL LABORATORIES	PL 96-480 15 USC 3710 94 STAT 2318	ANNUALLY
WBM	CON-84-444	STATE MINING AND MINERALS RESOURCES RESEARCH INSTITUTE EXPENDITURES REPORT	PL 98-409 98 STAT 1539	ANNUALLY
WBM	CON-84-444	STATE MINING AND MINERALS RESOURCES RESEARCH INSTITUTE EXPENDITURES REPORT	PL 98-409 98 STAT 1539	ANNUALLY
WBR	CON-39-051	PROPOSED PROJECTS UNDER THE RECLAMATION PROJECT ACT OF 1939 (FEASIBILITY REPORTS)	43 USC 485H(A) PL 76-260 53 STAT 1193	UPON APP. BY THE SECRETARY, AS COMPLETED
WBR	CON-39-052	PROPOSED CONTRACTS NEGOTIATED UNDER SECTION 7(A) OR (B)(1) OF THE RECLAMATION PROJECT ACT OF 1939, AS AMENDED	43 USC 485F(C) PL 76-260 53 STAT 1192	IN EACH CASE
WBR	CON-39-053	DEFERMENTS OF PAYMENTS FOR RECLAMATION PROJECTS	43 USC 485B-1 PL 86-308 73 STAT 585	IN EACH CASE
WBR	CON-46-049	ADDITIONAL RECLAMATION PROJECTS NEAR CHIEF JOSEPH DAM	PL 82-577 66 STAT 753	AS REQUIRED

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
WBR	CON-49-058	DETERMINATIONS REGARDING REPAYMENTS OF PROJECT COST FOR REHABILITATION AND BETTERMENT OF IRRIGATION SYSTEMS	43 USC 504 PL 94-102 89 STAT 485	IN EA. CASE 60 DAYS IN ADV. OF CONT. EXEC.
WBR	CON-53-062	SOIL SURVEY, LAND CLASSIFICATION, IRRIGATION AND CROP PRODUCTION CERTIFICATIONS REQUIRED FOR CONSTRUCTION UNDER RECLAMATION LAW	43 USC 390A PL 83-172 67 STAT 266	PRIOR TO START OF CONSTRUCTION
WBR	CON-56-044	COLORADO RIVER STORAGE PROJECTS AND PARTICIPATING PROJECTS	43 USC 620E PL 84-485 70 STAT 109	ANNUALLY
WBR	CON-56-050	PROPOSED CONTRACTS FOR DRAINAGE WORKS AND MINOR CONSTRUCTION OVER $200,000 ON FEDERAL RECLAMATION PROJECTS	43 USC 505 PL 84-575 70 STAT 274	IN EACH CASE 60 DAYS BEFORE CONTRACT EXEC.
WBR	CON-56-054	PROPOSALS RECEIVED UNDER THE SMALL RECLAMATION PROJECTS ACT	43 USC 422J PL 84-984 70 STAT 1044	FOR EACH PROPOSAL
WBR	CON-56-055	APPROVAL OF PROJECTS UNDER THE SMALL RECLAMATION PROJECTS ACT	43 USC 422D PL 84-984 70 STAT 1044	FOR EACH PROJECT
WBR	CON-56-057	BUSINESS-TYPE BUDGETS FOR ALL OPERATIONS FINANCED BY THE UPPER COLORADO RIVER BASIN FUND	43 USC 620D(G) PL 84-485 70 STAT 109	ANNUALLY
WBR	CON-56-059	REPORT ON NEED FOR ACQUIRING LAND FOR WASHOE RECLAMATION PROJECT	43 USC 614B 70 STAT 776	AS REQUIRED
WBR	CON-57-072	TRANSFERS MADE IN APPROPRIATIONS FOR GENERAL INVESTIGATIONS	CONF RPT #1049 ON PL 85-167	QUARTERLY
WBR	CON-62-046A	QUALITY OF WATER, COLORADO RIVER BASIN	43 USC 615WW,616F, 620N, 1596	BIENNIALLY
WBR	CON-62-046B	REPORT ON THE COLORADO RIVER SALINITY CONTROL PROGRAM	43 USC 1596 PL 93-320 88 STAT 274	BIENNIALLY
WBR	CON-66-063	FEASIBILITY OF WATER RESOURCE PROJECTS AS AUTHORIZED BY SECTIONS 2 & 3 OF PUBLIC LAW 89-561	PL 89-561 80 STAT 714	UPON COMPLETION OF EACH PLAN
WBR	CON-68-042	ANNUAL CONSUMPTIVE USE & LOSSES OF WATER FROM THE COLORADO RIVER SYSTEM	43 USC 1551 PL 90-537 82 STAT 899	EVERY FIVE YEARS

5/10/85 #2637
Replaces 4/25/84 #2569

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
WBR	CON-68-043	STATUS OF REVENUE AND COSTS FOR EACH LOWER BASIN UNIT OF THE COLORADO RIVER BASIN PROJECT	43 USC 1544 PL 90-537 82 STAT 896	ANNUALLY
WBR	CON-68-045	ACTUAL AND PROJECTED OPERATIONS - COLORADO RIVER BASIN	43 USC 1552(B) PL 90-537 82 STAT 900	ANNUALLY
WBR	CON-68-056	BUSINESS-TYPE BUDGETS FOR ALL OPERATIONS FINANCED BY THE LOWER COLORADO RIVER BASIN DEVELOPMENT FUND	43 USC 1543(I) PL 90-537 82 STAT 896	ANNUALLY
WBR	CON-74-048	PLANNING REPORTS ON CERTAIN UNITS IN THE COLORADO RIVER WATER QUALITY IMPROVEMENT PROGRAM	43 USC 1593 PL 93-320	AS COMPLETED
WBR	CON-74-112	PROPOSED MODIFICATIONS TO PROJECTS AUTHORIZED BY THE COLORADO RIVER BASIN SALINITY CONTROL ACT (PL 93-320)	43 USC 1574 & 1598 88 STAT 270, 274	60 DAYS PRIOR TO EXPENDITURE OF FUNDS
WBR	CON-76-026	STATUS & DISPOSITION OF CLAIMS RESULTING FROM THE FAILURE OF THE TETON DAM, IDAHO	PL 94-400 90 STAT 1211	ANNUALLY
WBR	CON-78-230	TECHNICAL REPORT ON PROPOSED CONSTRUCTION MODIFICATIONS TO INSURE THE SAFETY OF AN EXISTING DAM	43 USC 509 PL 95-578 92 STAT 2471	60 DAYS BEFORE FUND OBLIGATION
WBR	CON-78-231	INVESTIGATION AND STUDY TO DETERMINE FEASIBILITY OF REHABILITATING AND IMPROVING THE SANTA CRUZ DAM AND RESERVOIR, NEW MEXICO	PL 95-578 92 STAT 2471 43 USC 509	UNSPECIFIED
WBR	CON-80-277	CONTRACT BETWEEN U.S. AND SAN LUIS UNIT, CENTRAL VALLEY PROJECT, CALIFORNIA	PL 95-46 91 STAT 227	90 DAYS BEFORE CONT. EXEC.
WBR	CON-80-367	RECOM. TO ENSURE THAT PROPOSED RES. DEVELOPMENT PROJ. WILL NOT RESULT IN DET. OF THE WATER QUAL. & ECOL. OF THE SAC.-JUAN DELTA OR SAN FRAN. BAY	PL 96-374 94 STAT 1506	UNSPECIFIED
WBR	CON-82-386	STUDY OF ALTERNATE USES OF FACILITIES CONST. FOR USE IN CONJ. WITH THE OAHE UNIT, INITIAL STAGES JAMES DIV. PICK-SLOAN MISS. BASIN PROGRAM, S.D.	PL 97-273 SEC. 3 96 STAT 1181	AS COMPLETED
WBR	CON-82-387	FUTURE USE IN S.D. OF WATER DELIVERED BY THE GARRISON UNIT, PICK-SLOAN BASIN PROGRAM, N.D.	PL 97-273 SEC. 3 96 STAT 1181	AS COMPLETED
WBR	CON-82-388	PLAN FOR THE DEVELOPMENT OF THE POLLOCK-HERRIED UNIT, S.D. PUMPING DIV., PICK-SLOAN MISS. BASIN PROGRAM, S.D.	PL 97-273 SEC. 3 96 STAT 1181	AS COMPLETED

STATUTORY AND OTHER REPORTS TO CONGRESS

OPR	REPORT CONTROL SYMBOL	TITLE OF REPORT	AUTHORITY FOR REPORT	DUE DATE OR FREQUENCY
WBR	CON-84-446	SELECTED PROJECTS UNDER THE HIGH PLAINS STATES GROUNDWATER DEMONSTRATION PROJECT ACT	PL 98-434 SEC. 3(C) 98 STAT 1676	24 MONTHS AFTER APPROPRIATION
WBR	CON-84-447	PROGRESS REPORTS ON THE INITIATION OF THE HIGH PLAINS STATES GROUNDWATER DEMONSTRATION PROJECT	PL 98-434 SEC. 4(C)(1) 98 STAT 1676	WITHIN 12 MO. OF PHASE II & AN. THEREAFTER
WBR	CON-84-448	FINAL REPORT ON THE HIGH PLAINS STATES DEMONSTRATION PROGRAM	PL 98-434 SEC. 4(C)(2) 98 STAT 1676	5 YEARS AFTER PHASE II
WBR	CON-84-452	FINAL CONSTRUCTION IMPLEMENTATION PLANS - DELORES PROJECT	PL 98-569 SEC. 202(B)(1) 98 STAT 2934	AS COMPLETED
WGS	CON-62-028	GEOLOGICAL SURVEYS CONDUCTED OUTSIDE THE NATIONAL DOMAIN	43 USC 31(C) PL 87-626 76 STAT 427	ANNUALLY
WGS	CON-64-030	RESULTS OF MINERAL SURVEYS OF WILDERNESS AND PRIMITIVE AREAS TO DETERMINE MINERAL VALUES, IF ANY, THAT MAY BE PRESENT	16 USC 1133(D)(2) PL 88-577 78 STAT 894	AS COMPLETED
WGS	CON-80-368	ALL PERTINENT PUBLIC INFO. RELATING TO MINERALS IN ALASKA GATHERED BY FEDERAL AGENCIES	PL 96-487 94 STAT 2459 16 USC 3151	ANNUALLY
WS	CON-65-008	INVESTIGATIONS OF PROJECTS FOR CONSERVATION, DEVELOPMENT, AND UTILIZATION OF WATER RESOURCES IN ALASKA	42 USC 1962D-12	WHEN COMPLETED

8.1 Purpose. This chapter prescribes responsibilities and procedures related to statutory and other reports which the Department is required to send to Congress.

8.2 Definition. For the purposes of this chapter, a "report to Congress" is defined as a recurring or single-time report required by statute, levied by a Congressional committee, or an individual member of Congress. The term "report" is defined in 381 DM 6.6A.

8.3 Responsibility.

A. Responsibility for the preparation of reports to Congress rests with the pertinent bureau or office to whom the related program implementation has been assigned, either by delegation or other Secretarial assignment. Reporting requirements related to programs which involve the activities of two or more bureaus/offices are usually the responsibility of a "lead" bureau/office as designated by the pertinent Assistant Secretary. Any reporting requirement involving the program areas of two or more Assistant Secretaries becomes the responsibility of the Secretarial Officer exercising primary direction to the related program being reported.

B. The Office of Congressional and Legislative Affairs is responsible for monitoring the timely preparation and submittal of reports to Congress which are required by statute. That office also reviews letters transmitting reports to Congress prior to signature by a Secretarial Officer (see 381 DM 8.4 below).

C. The Office of Information Resources Management in the Office of the Assistant Secretary--Policy, Budget, and Administration is responsible for compiling, maintaining, and publishing a listing of statutory and other recurring reports to Congress as Appendix 1 to this Chapter. The list describes each reporting requirement and the bureau or office primarily responsible for its preparation.

D. Heads of bureaus are responsible for designating a central coordination and monitoring point for reports to be sent to Congress. The Director, Office of Information Resources Management, and the Director, Office of Congressional and Legislative Affairs, are to be advised of the organizational unit and contact person designated for each bureau.

8.4 Procedures.

A. Unless provided otherwise by statute or other Departmental directive, all reports to Congress are prepared for the signature of the Secretary, Under Secretary, or an Assistant Secretary of the Interior. This includes requests for one-time reports received from committees of Congress or an individual member of Congress.

B. All reports to the Speaker of the House and President of the Senate must each be transmitted by an original signed letter, and the name of the signing official must be typed or stamped on the transmittal letter. This requirement applies even though a transmittal letter is included in printed or bound reports. In addition, a copy of any letter or report to the Speaker of the House of Representatives and President of the Senate must also be transmitted by the bureau or office to the Senate Energy and Natural Resources Committee Chairman and the House Interior and Insular Affairs Committee Chairman.

C. Letters transmitting reports to Congress must be cleared with the Office of Congressional and Legislative Affairs prior to their signature by the Secretarial Officer. All file copies of such transmittal letters should include the Reports Control Symbol (RCS) assigned to the reporting requirement (see Appendix 1).

D. Simultaneously with transmitting a report to Congress, the bureau or office will send two (2) copies of the report to the Office of Congressional and Legislative Affairs for information. Bureaus and offices are responsible for transmitting copies to any additional Committee, as necessary.

8.5 Annual Review. Bureaus and offices will annually review their individual reporting requirements as listed in Appendix 1 to this chapter to determine if a report listed is no longer pertinent, or constitutes an unnecessary burden. Recommendations for changes in legislation to eliminate or revise such reports should be prepared by the responding office, and cleared by the appropriate Assistant Secretary, the Office of Congressional and Legislative Affairs, and the Assistant Secretary--Policy, Budget, and Administration, prior to submission to the Office of Management and Budget for consideration (see 461 DM 1).

Congressional and Legislative Affairs Workload

The actual workload for the Office of Congressional and Legislative Affairs for FY 1985 fell short of what was predicted. Similar levels are again projected for FY 1986 and FY 1987.

Question: On what basis do you project increases in workload since they did not materialize in FY 1985?

Answer: The Office has a relatively consistent actual workload. The numerical indicators we use to measure that workload may, however, vary widely due to the focus of the Congress on particular issues. For example, authorizing committees have recently been concerned with a number of very complex issues, such as the recent OCS section 8(g) issue contained in the FY 1986 reconciliation bill. Also, we have been involved for the past few months in a series of extraordinary congressional consultations regarding OCS activities offshore California. When these complex issues are in the forefront, we receive fewer routine requests for views and fewer hearings may be scheduled. Nevertheless, developing Administration views, presenting those views to involved congressional committees and answering congressional inquiries on these complex issues requires as much or more staff work than when we are dealing with a greater number of more routine issues. Under these circumstances, our workload indicators did not fall short of what was predicted in FY 1985 and we fully expect that similar actual workload levels will occur in the upcoming fiscal years.

Based on a recent annual two week survey of incoming and outgoing phone calls conducted in this Office, we project the following levels of telephone activity for FY 1986:

Congressional Liaison

Congressional and Other Calls Received 49,452

Congressional and Other Calls Made 35,776

Legislation

Telephone Calls Received Relative to Congressional and Other Activities 53,170

Telephone Calls Initiated Relative to Congressional or Legislative Activities 33,150

The statistics provided on our budget submission in the area of phone calls were based on the results of an annual two week survey, extrapolated for the full fiscal year. We try to conduct the survey at a similar time each year and when Congress is in session. These estimates vary according to the complexity and nature of Departmental issues at the time. As you will note, actual counts exceeded the estimates previously provided on calls received relative to congressional and legislative activities for FY 1986.

The Office maintains actual records on the following workload data provided in our budget submission: contract, grant and press release calls; individual letters received for interim or final response; requests for views handled; and hearings in which DOI staffs participated.

Equal Opportunity

Question: What other than salaries and benefits does the budget request for Equal Opportunity provide?

Answer: Other expenses associated with Equal Opportunity include the usual operating costs for an office; including travel, communications, utilities and other rent, printing, other services and supplies. A total of $95,000 is budgeted for these items in FY 1986.

Question: Are the items provided in FY 1986 and FY 1987 the same as those provided in FY 1985 or are you now asking the various Interior agencies to pick up some of the costs previously covered by the Equal Opportunity office?

Answer: The functions and types of expenses for the office are the same as in previous years, only at a lower level. The bureaus have not been charged for any of the expenses of this office, other than the Complaints Investigations function, which has been part of the Working Capital Fund since approximately 1979.

DEPARTMENTAL TABLE
HISTORICALLY BLACK COLLEGES AND UNIVERSITIES

Question: Provide for the record the amount for Historically Black Colleges and Universities in the budget requests of all the agencies in the Department of the Interior.

Answer: The information follows:

	FY 1985		FY 1986		FY 1987	
Bureau	FTE's	$000	FTE's	$000	FTE's	$000
BLM	0	327	0	360	0	360
MMS	0	281	0	200	0	300
OSM	0	280	0	100	0	0
REC	0	165	0	165	0	180
USGS	0	905	0	400	0	400
BOM	0	100	0	150	0	150
FWS	0	160	0	210	0	210
NPS	0	450	0	450	0	450
BIA	0	0	0	0	0	0
TIA	0	490	0	0	0	0
SEC	3	161	3	168	3	169
SOL	0	0	0	0	0	0
IG	0	0	0	0	0	0
TOTAL	3	3,319	3	2,203	3	2,219

Assistant Secretary - Water and Science

Question: How does the Assistant Secretary - Water and Science propose to increase productivity? (p.41) How will "streamlining of policy" result in reduced salary and related costs? Does this mean shorter policy?

Answer: A more appropriate term would be "streamlining of procedures" to increase productivity. This will be done by shortening the time required to review, comment and issue policy decisions. Salary and related cost will be reduced by hiring at lower grade levels when positions become vacant.

Question: Does keeping this Assistant Secretary position vacant help streamline policy?

Answer: The Assistant Secretary's responsibilities are carried out by the Acting Assistant Secretary, or Deputy Assistant Secretary whenever the position is vacant.

Assistant Secretary - Land and Minerals Management

Question What are the critical vacancies in the Assistant Secretary - Land and Minerals that you would fill regardless of the Gramm-Rudman reductions? (p.43)

Answer: The critical vacancies that will be filled in the Office of the Assistant Secretary for Land and Minerals Management, regardless of the Gramm-Rudman reductions, are the Assistant Secretary position and the two Deputy Assistant Secretary positions.

Question: To what extent are people from the various agencies assigned from time to time to provide assistance to the Assistant Secretaries?

Answer: The various agencies provide assistance to the Assistant Secretaries on a limited basis when clerical support is needed or specific bureau related projects are involved. Several examples of this are as follows:

Physical Scientist detailed from the Bureau of Mines to be acting Deputy Assistant Secretary - Water and Science;

Supervisory Hydrologist detailed from the U.S. Geological Survey to the Office of the Assistant Secretary - Water and Science to deal with specific water issues;

Economist detailed from the Minerals Management Service to the Office of the Assistant Secretary - Land and Minerals Management to provide assistance in the economic review of bureau issues; and

Secretary detailed from the Bureau of Land Management to the Office of the Assistant Secretary - Land and Minerals Management to provide clerical support.

Question: To what extent is equipment for an Assistant Secretary's immediate office funded through agencies rather than the Office of the Secretary's appropriation?

Answer: Equipment purchased for the Assistant Secretaries' Offices is funded within the Office of the Secretary appropriation, not by the bureaus. Some equipment which has been declared surplus by the bureaus as they upgrade their systems, has been transferred to various offices in the Office of the Secretary.

Question: Are these done through the formal detail process or is it done on an informal basis?

Answer: Most requests for clerical support are done on an informal basis. If the detail is to be longer than 30 days we process a formal detail.

Acquisition and Property Management

The real property management division of acquisition and property management among other things conducts quarters rental surveys to establish base rental rates.

Question: Who has paid for these surveys in the past?

Answer: The major participating bureaus, including the National Park Service, Bureau of Indian Affairs, Bureau of Land Management, Bureau of Reclamation and the U.S. Fish and Wildlife Service have always paid for these surveys on a pro-rata basis. The Office of Inspector General, Office of Youth Programs and the U.S. Geological Survey participate but do not pay based on the low percentage of the total number of units. Each bureau or agency share is based on their percentage of total employee quarters in the inventory. The costs are shared by the bureaus of this agency and by the U.S. Forest Service, the Indian Health Service, the U.S. Customs Service, and the Immigration and Naturalization Service.

Prior to the use of regional surveys in 1979/1980, the bureaus and agencies conducted appraisals, which they paid for. Regional surveys are cheaper, more consistent and administratively simpler.

Question: Who is paying for those surveys now?

Answer: The same agencies are paying for those surveys now as in the past. Whenever possible we will solicit other agencies to participate. The greater the number of participants, the lower the costs to each individual agency.

Question: Why was this change made? Did the agencies know that they were going to be billed for these surveys?

Answer: As noted above, the participating bureaus and agencies have always paid for these surveys. Each participant receives a copy of the total projected costs, their share of the total, and a statement of the work to be accomplished during the coming fiscal year. In addition, those participating agencies outside of this Department have executed Interagency Agreements which cover this process.

SES Transfers

Question: How many SES transfers occurred in fiscal year 1985?

Answer: During fiscal year 1985, there were 24 SES reassignments (transfers) within the Department of the Interior.

Question: How many SES transfers have occurred to date in fiscal year 1986?

Answer: During FY 1986 (as of 5/1/86), there have been 12 SES reassignments (transfers).

Question: How many SES employees resigned rather than accept a transfer in those time periods?

Answer: As a result of the 24 reassignments in FY 1985, there were no resignations. Two individuals chose to accept discontinued service retirement rather than accept a geographic reassignment.

During FY 1986, one individual of the 12 reassigned resigned rather than accept a geographic reassignment. Another individual accepted discontinued service retirement rather than accept a geographic reassignment.

SES Bonuses

Question: Provide for the record a list of those individuals receiving SES bonuses in FY 1984 and the amount received. Provide the same information for FY 1985.

Answer: The information follows:

SES PERFORMANCE AWARDS (BONUSES)

Question: Provide for the record a list of those individuals receiving SES bonuses in FY 1984 and the amount received. Provide the same information for FY 1985.

Answer: For 1984 performance the following individuals received bonuses.

Executive	Amount
1. J. Lisle Reed	$ 10,000
2. Richard Hite	10,000
3. David Watts	8,500
4. Gina Guy	5,000
5. Timothy Elliott	8,500
6. Raymond Sanford	5,000
7. Joseph Gorrell	10,000
8. Joseph Doddridge	10,000
9. Nicolai Timenes	6,500
10. Oscar Mueller	6,500
11. Kristine Marcy	6,000
12. William Kendig	5,500
13. Morris Simms	5,500
14. Robert Putz	10,000
15. Ronald Lambertson	8,000
16. Howard Larsen	8,000
17. F. Eugene Hester	10,000
18. Manus Fish	8,000
19. Cleo Layton	8,000
20. Robert Baker	6,000
21. Richard Briceland	5,000
22. Jerry Rogers	4,500
23. James Coleman	4,000
24. Robert Gilmore	4,000
25. Edwin Verberg	4,000
26. Galen Buterbaugh	4,000
27. Michael Spear	4,000
28. Harold O'Connor	4,000
29. Stanley Speaks	7,500
30. Theodore Krenzke	7,000
31. Sidney Mills	6,000
32. Maurice Babby	4,000
33. Alan Powers	9,500
34. Michael Power	8,000
35. Charles Luscher	6,000
36. William Bettenberg	10,000
37. Carl Close	5,000
38. Robert Boldt	5,000
39. John Rankin	5,000
40. Edward Hastey	4,000

Executive	Amount
41. Roland Robison	$ 4,000
42. Delmar Vail	4,000
43. Robert Lawton	4,000
44. Arnold Petty	4,000
45. D. Dean Bibles	4,000
46. George Brown	4,000
47. Clair Whitlock	4,000
48. John Trippe	3,500
49. Hillary Oden	3,500
50. Robert Olson	10,000
51. Robert Hamilton	10,000
52. William Klostermeyer	10,000
53. Lowell Starr	8,000
54. John Bredehoeft	8,000
55. John Murphy	6,000
56. Terry Offield	5,000
57. David Houston	5,000
58. Allen Watkins	5,000
59. Joseph Marcotte	4,000
60. Donald Kesterke	4,000
61. James Cook	4,000
62. James Devine	4,000
63. Gordon Bennett	4,000
64. Harry Nichols	4,000
65. William Prinz	4,000
66. Bernard Silverman	4,000
67. Roy Mullen	4,000
68. Russell Langford	4,000
69. Philip Meikle	4,000
70. James Biesecker	4,000
71. John Aaron	4,000
72. Peter Bermel	4,000
73. Marshall Moss	4,000
74. Roy Fordham	4,000
75. Douglas Morton	4,000
76. Carolita Kallaur	10,000
77. Edward Spang	10,000
TOTAL	$ 455,500

For 1985 performance the following individuals received bonuses.

Executive	Amount
1. Earl Gjelde	$ 10,000
2. Joseph Gorrell	8,000
3. Ira Hutchison	6,000
4. Robert Beuley	5,000
5. Bruce Blanchard	6,000
6. Anthony Itteilag	6,000

Executive	Name
7. Oscar Mueller	$ 3,600
8. Colonel Armstrong	3,600
9. Morris Simms	4,000
10. Albert Camacho	5,000
11. William Kendig	4,500
12. Timothy Elliott	4,000
13. Ruth VanCleve	4,000
14. Raymond Sanford	4,000
15. Timothy Vollman	4,000
16. W. P. Ragsdale	5,600
17. Stanley Speaks	6,000
18. Nancy Garrett	6,000
19. James Bregman	6,000
20. Ronald Lambertson	7,000
21. F. Eugene Hester	7,000
22. Galen Buterbaugh	6,500
23. Manus Fish	6,000
24. Robert Baker	6,000
25. John Cook	6,000
26. Jerry Rogers	5,500
27. Walter Steiglitz	5,000
28. Joseph Kutkuhn	5,000
29. James Coleman	4,000
30. Robert Gilmore	5,000
31. Harold O'Connor	4,000
32. Herbert Cables	3,600
33. Edward Davis	3,600
34. William Bettenberg	9,000
35. Delmar Vail	8,000
36. William Grant	8,000
37. Roland Robison	7,000
38. Alan Powers	7,000
39. Edward Hastey	6,000
40. John Rankin	6,000
41. Arnold Petty	6,000
42. Carolita Kallaur	5,000
43. Robert Lawton	5,000
44. Donald Sant	5,000
45. Henry Smith	5,000
46. George Brown	4,000
47. Thomas Gernhofer	4,000
48. Michael Penfold	4,000
49. Philip Cohen	9,600
50. Edmund Grant	9,600
51. Rupert Southard	6,500
52. Clifford Barrett	7,500
53. James Biesecker	8,000
54. Benjamin Morgan	8,000
55. Darrell Webber	7,000
56. David Houston	7,000
57. John Swinnerton	7,000

Executive	Amount
58. David Moody	$ 7,000
59. A. Thomas Ovenshine	5,000
60. Lawrence Borgerding	5,000
61. Doyle Frederick	7,000
62. John Aaron	3,400
63. Lowell Starr	3,500
64. Allen Watkins	5,000
65. Marshall Moss	5,000
66. Stanley Sauer	5,000
67. James Devine	5,000
68. James Cook	5,000
69. Robert Hamilton	3,600
70. John Murphy	4,000
71. Billy Martin	4,000
72. John Filson	4,000
73. Gary North	4,000
74. Russell Langford	4,000
75. Lester Lloyd	4,000
76. David Forshey	4,000
77. Robert Towles	4,000
TOTAL	$ 426,200

Question: Do the Gramm-Rudman reductions limit your ability to provide SES bonuses in FY 1986?

Answer: Each bureau must determine the amount of funds available in their appropriation for any awards or bonuses. The Gramm-Rudman reduction will have an impact on the ability of each bureau to provide for bonuses. The Office of the Secretary has not yet determined how much, if any, funding will be available for SES bonuses in FY 1986.

Question: How much do you have budgeted for employee awards in FY 1986? In FY 1987? Provide the information by categories of awards.

Answer: The bureaus and offices do not budget specifically for employee awards, i.e. there is not a line item in the budget. We do have statistics, actual figures for FY 1985 that follow, for the various categories. We would envision that the FY 1986 and FY 1987 awards would be at approximately the same level, or slightly lower.

Department of the Interior
Cash Awards for Special Acts or Service
Fiscal Year 1985

	Cash Awards to Individuals				Cash Awards to Groups				
Bureau	Number	Award Amount	Tangible Savings	Number With Tangible Savings	Number Awards	Number Persons Involved	Award Amount	Tangible Savings	Number With Tangible Savings
NPS	933	$ 395,963	$ 672,743	52	57	413	$ 79,520	$ 338,904	16
BIA	211	158,886	521,900	6	2	18	3,300	0	0
USGS	407	211,160	40,108	7	72	336	156,389	25,247	4
BLM	342	171,245	191,267	120	63	453	93,226	15,982	14
LBR	852	271,681	1,556,500	13	80	538	119,250	1,010,000	21
FWS	485	241,966	185,460	13	64	279	96,724	1,293,942	10
EBM	139	64,679	108,148	14	43	195	41,600	560,132	11
MMS	80	65,953	0	0	11	69	45,946	0	0
OS	37	30,887	4,500	1	2	7	3,100	0	0
OSM	70	55,118	0	0	3	26	12,600	0	0
SOL	16	8,000	0	0	0	0	0	0	0
OIG	1	1,500	0	0	0	0	0	0	0
Total Department	3,573	$1,677,038	$3,280,626	226	397	2,334	$651,655	$3,244,207	76

Department of the Interior
Recognitions Based on Performance
Fiscal Year 1985

	*Sustained Superior Performance Awards					Quality Increases	
Bureau	Number	Award Amount	Tangible Savings	Number With Savings	Rate Per 100 Elig. Employees	Number Granted	Rate Per 100 Elig. Employee
NPS	1,409	$ 878,633	$ 0	$ 0	08.0%	228	2.0%
BIA	1,075	713,680	0	0	08.5	156	1.8
USGS	1,364	787,968	0	0	12.2	207	2.0
BLM	1,135	846,669	376,110	25	10.8	257	2.7
LBR	771	736,237	99,492	1	09.5	203	3.3
FWS	517	548,510	8,765	12	07.3	122	2.2
EBM	501	281,423	1,941	4	20.4	113	5.8
MMS	408	261,143	0	0	19.6	45	2.6
OS	225	160,774	0	0	20.9	39	4.5
OSM	272	206,639	0	0	26.6	63	7.1
SOL	88	39,021	0	0	24.8	3	0.9
OIG	43	34,291	0	0	14.9	5	1.9
Total Department	7,808	$5,494,988	$486,308	42	10.5%	1,441	2.5%

*Includes PMRS Performance Awards which are mandatory.

Department of the Interior
Suggestion Program Statistics
Fiscal Year 1985

Bureau	Number Received	Percent of Participation	Number Adopted	Rate of Adoption	Cash Awards Granted	Number Employees Involved	Amount Paid In Awards	Tangible Savings	Number With Tangible Savings
NPS	327	1.80%	162	49.50%	162	165	$ 14,903	$ 16,530	17
BIA	10	0.07	1	10.00	1	1	500	0	0
USGS	63	0.56	17	26.90	17	19	9,185	124,910	12
BLM	123	1.10	43	34.90	33	46	17,982	528,386	12
LBR	271	3.30	101	37.20	94	110	23,037	223,848	28
FWS	117	1.60	23	19.60	20	22	6,180	29,606	10
EBM	78	3.10	14	17.90	12	13	1,695	15,252	7
MMS	16	0.77	2	12.50	2	2	2,029	34,312	1
OS	5	0.46	2	40.00	0	2	0	0	0
OSM	16	1.50	0	0	0	0	0	0	0
SOL	0	0	0	0	0	0	0	0	0
OIG	0	0	0	0	0	0	0	0	0
Total Department	1,026	1.30%	365	35.50%	341	378	$ 75,511	$ 972,844	87

Department of the Interior
Incentive Awards Statistics

1. Special Achievement Awards

a. Sustained Performance	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985
Number	2,194	2,509	3,388	4,084	* 7,808
Amount	$ 903,009	$ 1,220,840	$ 1,946,644	$ 2,739,780	$ 5,494,988
Tangible Benefits	$ 145,200	$ 272,481	$ 1,703,735	$ 633,411	$ 486,308
Number with tangible benefits	24	10	19	35	42

b. Special Act or Service	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985
Number	2,645	2,803	3,277	3,713	3,573
Amount	$ 1,282,615	$ 1,077,083	$ 1,378,843	$ 1,759,256	$ 1,677,038
Tangible Benefits	$ 2,754,926	$ 1,597,397	$ 4,562,851	$ 5,744,938	$ 3,280,626
Number with tangible benefits	146	116	206	213	226

c. Group Awards	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985
Number	295	253	250	334	397
Number persons involved	1,595	1,550	1,538	1,818	2,334
Amount	$ 336,037	$ 340,486	$ 367,208	$ 568,228	$ 651,655
Tangible Benefits	$ 1,750,731	$ 17,287,782	$ 8,671,336	$ 1,627,831	$ 3,244,207
Number with tangible benefits	42	29	35	51	76

2. Quality Increases	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985
Number granted - Total	1,341	1,474	1,510	1,598	1,441
GS-1 to 6	504	510	481	485	423
GS-7 to 12	623	896	925	992	892
GS-13 to 15	214	68	104	121	126

*Includes new PMRS Performance Awards

Department of the Interior
Suggestion Program Statistics

	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984	FY 1985
Received	1,609	1,528	1,466	1,315	1,134	1,026
Adopted	500	507	560	531	399	365
Amount of Awards	$ 62,937	$ 73,535	$ 58,153	$ 72,511	$ 58,163	$ 75,511
Tangible Benefits	$691,541	$959,895	$ 405,205	$511,569	$ 340,703	$ 972,844
Number w/tangible benefits	96	115	88	138	95	87

Department of the Interior
Quality Increases Approved

Fiscal Year 1985

Bureau	QI's Approved	Employees Eligible	Percentage Receiving
National Park Service	228	11,336	2.0
Geological Survey	207	10,156	2.0
Bureau of Indian Affairs	156	8,595	1.8
Bureau of Land Management	257	9,228	2.7
Bureau of Reclamation	203	6,078	3.3
Fish and Wildlife Service	122	5,480	2.2
Bureau of Mines	113	1,938	5.8
Minerals Management Service	45	1,698	2.6
Office of the Secretary	39	860	4.5
Office of Surface Mining	63	880	7.1
Office of the Solicitor	3	302	0.9
Office of the Inspector General	5	251	1.9
Total Department	1,441	56,802	2.5

Reimbursable Program

Question: Why is there an increase from 16 to 29 in the total number of full-time permanent positions in the reimbursable program from FY 1985 to FY 1986? (p.112)

Answer: The increase in the number of full-time permanent positions in the reimbursable program from FY 1985 to FY 1986 is the result of the inclusion of the President's Commission on Americans Outdoors in the employment data for the Office of the Secretary. These positions were included as a result of the Congress providing funding for the Commission, and the Office of the Secretary serving as the administrative agent for the Commission, responsible for personnel, payroll and accounting support.

Printing

We are aware that the Public Printer, at the Government Printing Office, has certain initiatives to encourage Federal agencies to take maximum advantage of GPO commercial procurement contracts. Also, according to the Public Printer, the new GPO electronic publishing procurements are now saving very substantial tax dollars.

Question: We would like to know what plans you may have to increase your reliance on GPO commercial procurements for both printing and electroni ublishing.

Answer: In the past several years, the Department has taken advantage of GPO commercial printing and duplicating contracts nationwide. The printing contracts were developed so that the Department's bureaus and offices would be eligible and, in fact, use these contracts at a lower cost than single onetime procurements. We have plans to develop additional contracts in FY 1987 to cover a wider variety of printing requirements. The Department has also taken advantage of duplicating contracts in numerous regional offices in lieu of in-house duplicating operations. The Department closed nine in-house duplicating operations in FY 1985, replacing these with GPO commercial contracts at lower costs.

Before a Departmental bureau or office requests authority to purchase or lease a high speed duplicator or photocopy machine, they must contact their local GPO Regional Printing and Procurement Office to determine if commercial contracting is more advantageous and less expensive. If so, they must establish a contract in lieu of procuring the equipment.

The Department has a few electronic publishing contracts in existence at the bureau and office level. We are monitoring the results of these contracts to determine their effectiveness. If proven effective, we will increase these contracts nationwide in FY 1987.

Office of Aircraft Services

There is a request for two additional planes and 10 replacement aircraft for existing Office of Aircraft Services owned planes.

Question: Please explain why you need two additional planes? For what purposes will they be used?

Answer: The additional aircraft are to fill DOI bureau needs as follows:

1. National Park Service -- McKinley National Park has asked that we obtain a single-engine, two-place, high aircraft to support their Park management, law enforcement, search & rescue, and administration programs.

2. Fish and Wildlife Service -- Kanuti NWR has asked that we obtain a single-engine, four-place, high wing aircraft to support their Refuge management efforts.

Both of the above requirements are the results of additional management responsibilities due to the Alaska Lands legislation. Some of the new and additional equipment needs have been satisfied through previous years acquisitions; however, all needs were not filled due to funding situations within the affected bureaus.

Question: What type of planes will be purchased? What is the cost of these planes?

Answer: The two-place fixed wing aircraft will cost approximately $80,000, and the four-place fixed wing aircraft will be about $140,000.

Question: Will the 10 replacement aircraft be an upgrade to the planes they are replacing? If so, what justification is there for the upgrade?

Answer: The replacement aircraft program within the DOI Fleet operations is not an upgrading process. The intent of the replacement program is to continue the needed services required by the various DOI bureaus to which these aircraft are assigned. The replacements will be necessary due to age and/or condition, and will be like or similar aircraft. Fixed wing single-engine make up the bulk of the DOI Fleet aircraft; 55 of the 81 aircraft owned by the Department are single-engine fixed wing.

MONDAY, APRIL 28, 1986.

OFFICE OF INSPECTOR GENERAL

WITNESSES

JAMES R. RICHARDS, INSPECTOR GENERAL
ANTHONY L. ITTEILAG, DIRECTOR OF BUDGET

Mr. YATES. Mr. Richards.

Mr. RICHARDS. Good afternoon, Mr. Chairman.

Mr. YATES. Good afternoon.

You are here in support of the budget for fiscal year 1987 for the Office of the Inspector General for the Department of the Interior. Mr. Itteilag is here with you. Your statement may be made a part of the record, and your biography may follow that statement.

[The statement and biographical sketch of Mr. Richards follow:]

STATEMENT OF JAMES R. RICHARDS
INSPECTOR GENERAL
U.S. DEPARTMENT OF THE INTERIOR
BEFORE THE HOUSE SUBCOMMITTEE
ON APPROPRIATIONS FOR THE DEPARTMENT OF THE INTERIOR
AND RELATED AGENCIES, APRIL 28, 1986

Mr. Chairman, members of the Subcommittee, I appreciate this opportunity to appear before you to discuss the proposed budget for the Office of Inspector General for Fiscal Year 1987. Since this is my first budget hearing before this subcommittee as Inspector General, I look forward to working with you in the future. As you know, the mission of our office is to promote economy and efficiency in the administration of, and to prevent and detect fraud and abuse in the Department's programs and operations.

Our Fiscal Year 1987 budget request totals $16,300,000. This is a net increase of $183,000 above the 1986 enacted amount.

The change reflects a departmentwide travel reduction of $98,000 initiated by the Secretary.

We are asking for the following increases. An additional $200,000 is requested for audit services purchased from the Defense Contract Audit Agency and the Department of Health and Human Services. Contract audits have proven to be highly cost effective. By using the services of the Defense Department and Health and Human Services, we are able to provide audit coverage at a lower cost at locations that otherwise would require our staff to incur significant travel costs.

An additional $65,000 is requested for replacement of computer equipment in our regional offices. These machines are used for report processing and in support of our audit and investigative activities. The equipment now in place has exceeded its life expectancy and has become a maintenance problem. Therefore, it is important that we have a systematic program to replace the machines before they become unreliable and disrupt our data flow.

Our rotational policy for people on overseas assignments has helped us to recruit and maintain our staffs in the territories. However, such moves are quite costly because of the great distances involved so we are asking for $16,000 for increased costs associated with employee changes of duty station.

Since coming to the Department of the Interior, I have reviewed investigative procedures to assure their adequacy. We have implemented procedures to provide quality control over both our investigative work and our report writing through the use of a system of checks and balances, including the use of headquarters desk officers.

We plan to continue our investigations of allegations of serious fraud and other crimes, while referring less serious and administrative matters back to the appropriate bureaus for their review and action, subject to our oversight.

We plan to continue to emphasize audits of the Royalty Management System. We have issued 21 audit reports on royalty management operations and 44 on the accuracy of royalty payments made by producers and processing plants. The results of these reviews were summarized in our first Biennial Report on the Federal Royalty Management Program, issued on April 10, 1986. This report was recently furnished to this subcommittee.

Our workload under the Single Audit Act of 1984 continues to increase as more tribes and state and local governments come into compliance with annual audit requirements of the Act. Of the 409 entities for which Interior has cognizance, including 299 tribes and 110 state and local governments, 135 completed audits in 1985 and 98 in the first half of 1986. We continue to fulfill our responsibility as the cognizant agency by assuring the quality and adequacy of these reports.

Single audits of tribes, indirect cost negotiations, and reviews of Bureau of Indian Affairs (BIA) operations will continue to require a significant portion of our resources. To aid in the development of future strategies, we conducted an analysis of 261 audit reports issued between 1967 and 1985. The analysis indicated that BIA has rarely acted to correct problems on a bureauwide basis. For example, virtually every review of the operations of the Housing Improvement Program, Individual Indian Money Accounts, or procurement operations has disclosed major problems. Many problems could be attributed to a lack of enforcement and compliance with existing regulations, procedures and controls.

In order to meet Congressional concerns about the financial status of major water projects, we completed an audit of the Central Arizona Project, are conducting an audit of the Nueces River Project, and have targeted for audit in 1987 the Canadian River and McGee Creek Projects. In addition, a cooperative effort with the Department of Energy will result in audits of the Central Valley, Pick-Sloan, Colorado River Storage and Federal Columbia River Power Projects.

We are currently conducting audit followup reviews in Guam, American Samoa and the Virgin Islands to determine if audit recommendations made in previous OIG audit reports have been implemented. This is of particular concern to us because territorial governors are only required to respond to audits, not implement recommendations. We expect the followup reports to be issued in June of this year. Additionally, we are developing a computerized history file of audit findings relating to territorial governments. This system will allow us to identify repetitive problems and better allocate our resources to critical areas.

The compacts for the Federated States of Micronesia, Marshall Islands and Palau are expected to be in effect by late summer 1986 or early in fiscal year 1987. In the OIG budget for FY 1986, we assumed that the Department of State would take audit and investigative responsibility for the compact governments. However, the compacts and the draft "Fiscal Procedures Agreement" leave the audit and investigative responsibility with OIG, Department of the Interior. We will take this situation into account in the FY 1988 budget process.

We have developed a new strategy to evaluate systems of internal control in the Department under the Federal Managers' Financial Integrity Act of 1982. First, nearly all OIG audit reports of Departmental programs, functions and organizations will include a review, evaluation and report on internal controls. Second, during fiscal year 1986, we will review and report on the status of corrective actions taken by bureaus and offices on material weaknesses reported previously to the President and the Congress and on significant findings in OIG audit reports. Starting in fiscal year 1987, OIG will annually perform a comprehensive review of at least one major bureau's internal control process and at least one major accounting system.

I have also worked closely with the Assistant Secretary for Policy, Budget and Administration to establish an audit resolution council. The purpose of the council is to enhance the audit resolution process by assuring that audit recommendations are implemented timely and in an efficient and effective manner. The council, consisting of: the Inspector General; Assistant Secretary Policy, Budget and Administration; and the Principal Deputy Under Secretary meets periodically to discuss those issues requiring decisions by higher level Department managers as well as those longstanding issues that should have been resolved.

No amount of audits and investigations by the Office of Inspector General can act as a substitute for good management. Consequently, we seek to work with the Department to promote economy and efficiency where at all possible. We also work with management officials to jointly prevent and detect fraud, waste and abuse.

This concludes my statement. I will be glad to answer any questions the committee may have.

United States Department of the Interior
OFFICE OF INSPECTOR GENERAL
WASHINGTON, D.C. 20240

BIOGRAPHY

JAMES R. RICHARDS

James R. Richards was confirmed by the Senate on December 19, 1985, as the Inspector General for the U.S. Department of the Interior. In this position, he is responsible for the coordination, supervision, and management of investigations and audits of all Departmental activities to ensure honest and efficient management. Prior to that Mr. Richards had been Inspector General of the U.S. Department of Energy since September 1981.

He was in 1985 Vice Chairman of the President's Council on Integrity and Efficiency and is currently a member of the Administrative Conference of the U.S.; a member of the Board of Directors, Association of Federal Investigators; and a member of the American, Washington, D.C., and Colorado Bar Associations.

Mr. Richards was General Counsel and Vice President of the National Legal Center for Public Interest, in Washington, D.C., from September 1980 through May 1981. From July 1977 to August 1980, he was Vice President and Legal Director of Capital Legal Foundation, located in Washington, D.C.

During the period 1973 to 1977, Mr. Richards served with the U.S. Department of the Interior as Director of the Office of Hearings and Appeals. His responsibilities included the management of five quasi-judicial appeals boards and the administrative law judges.

Mr. Richards joined the U.S. Department of Justice in 1969, serving initially as Assistant U.S. Attorney for Colorado and later a Chief of the Buffalo, New York, Organized Crime Strike Force. In 1972, he was appointed area coordinator of the Organized Crime Section in Washington, D.C., responsible for the management of major investigations and trials throughout the country. Prior to this he engaged in private practice of law in Colorado for three years.

From 1963 through 1965, he was Legislative and Executive Assistant to U.S. Senator Peter H. Dominick. Prior to this he served two years as Colorado Assistant Attorney General.

Mr. Richards received a B.A. degree in History and English from Western State College in 1955. He received a law degree in 1960 from the University of Colorado School of Law.

Born in Kinderpost, Missouri, Mr. Richards currently resides in Arlington, Virginia.

January 1986

Mr. **Yates**. We will be very glad to hear how your office is operating.

Mr. **Richards**. Thank you, Mr. Chairman. Like my predecessor at the witness table, Ralph Tarr, I joined the Department and came onboard about the same time—January of this year. As you know, at that time, the Inspector General's Office had been without a permanent confirmed Inspector General for in excess of a year. I found that some of our key employees had left, and had found better opportunities.

Mr. Beuley, whom you recall testified before you last year as Acting Inspector General, found better opportunities, greener pastures, along with Mr. Snead. So when I came along, we took some quick action to try to fill some vacancies, to try to fill some voids, to try to analyze where we are, and where we are going. Although I didn't have any participation in the preparation of the 1987 budget, being so late onboard, I feel confident that, if appropriated, it will allow us to do our mission, and to do it fairly well.

Mr. **Yates**. The amount that is available is slightly above that for 1986. In 1986, the appropriation was $16,117,000. The 1987 request is $16,300,000. Have you been able to eliminate any of the workload of the United States territories?

Mr. **Richards**. Well, I found when I came onboard that we were pulling back some of the resources with the territories due to a combination of factors. I found, first of all, there was some attrition, second, we were facing the first cut of Gramm-Rudman, the 4.3 percent, and third, it was left to my decision to rethink things and see how we could best deploy our audit resources to get the most effective bang for the buck.

AUDITS

Mr. **Yates**. On your justification page IG-10, you say this: "Eleven reports identify a total of $50 million in potential underpayments of royalties by oil and gas companies." What is the nature of those reports? Were those audit reports?

Mr. **Richards**. Yes, I believe they were. We were talking basically about the rollup audit we did of the summary of audits that had been done——

Mr. **Yates**. How recent is that?

Mr. **Richards** [continuing]. In royalty management.

Mr. **Yates**. How recent are those 11 reports?

Mr. **Richards**. I think we say during fiscal year 1985. That is the heading of the paragraph.

Mr. **Yates**. And that is when the audit reports were issued. You say in fiscal 1985 you issued 679 audit reports, negotiated 265 indirect cost rates, identified $173 million in potential audit recoveries and cost efficiencies. Now, $50 million of the $173 million is in underpayments of royalties by oil and gas companies, correct?

Mr. **Richards**. Yes.

Mr. **Yates**. Then where is the balance of the $173 million?

Mr. **Richards**. I think—and I am surmising—that probably some of this $173 million was some of the last audits done under the lookback audits by independent public accountants.

Mr. **Yates**. Of MMS?

Mr. **Richards**. Yes, and some of them were done by our internal audit staff. I am assuming that that is the case. I will clarify that for the record, though, if that should not be the case.

Mr. YATES. How much of the $50 million was related to Indian royalties? Was that all of it?

Mr. RICHARDS. I don't know. I will provide that for the record, but as you know, the majority of the audits and the majority of the income and the payments come from onshore and offshore Federal lands other than Indian lands.

[The information follows:]

BREAKDOWN OF 173 MILLION IN POTENTIAL AUDIT RECOVERIES AND COST EFFICIENCIES BY ORGANIZATIONAL UNITS, FISCAL YEAR 1985

[In millions of dollars]

Organizational units	Potential recoveries	Cost efficiencies	Total
Office of the Secretary	4.3	0.6	4.9
Indian Affairs	5.5	7.6	13.1
Fish & Wildlife Service	.8	.9	1.7
National Park Service	5.3	8.5	13.8
Bureau of Land Management	.3	3.5	3.8
Minerals Management Service	[1] 68.8	1.3	70.1
Office of Surface Mining	2.2	....	2.2
Bureau of Mines	2.4	3.5	5.9
Bureau of Reclamation	12.8	2.5	15.3
Geological Survey	.2	19.0	19.2
Territorial Affairs	.2	....	.2
Territorial Governments	11.4	11.7	23.1
Total	114.2	59.1	173.3

[1] Of the $50 million underpayments, $61,608.00 related to Indian Royalties. No additional underpayments relating to Indian Royalties were noted in the eleven reports issued.

INVESTIGATIONS

Mr. YATES. Have you called on any law enforcement or personnel from other agencies to assist in your investigations?

Mr. RICHARDS. Yes, occasionally we do. In fact, we are right now in the process of negotiating memoranda of understanding with all the other law enforcement agencies at the Department and, in certain instances, we will consult with them, give them assistance or ask them for assistance, depending on the situation, on a case-by-case basis.

Mr. YATES. How responsive have FBI and postal inspectors been to your requests?

Mr. RICHARDS. They have been fairly responsive. Three years ago—although I was not Inspector General at this agency but with another agency, the Department of Energy—all of the inspectors general negotiated memoranda of understanding with the Federal Bureau of Investigation. My experience with the Department of Energy was that it was a very fruitful one, and I think probably, based on what I know and the conversations I have had so far with our investigators, we have a good relationship with both the Postal Service and the FBI.

Mr. YATES. You have taken a reduction of $693,000 for Gramm-Rudman. How much of a disability will that create in your operation?

Mr. RICHARDS. I think we swallowed it and are able to still do our best.

Mr. YATES. Can you swallow it?

Mr. RICHARDS. Yes, we have swallowed it.

Mr. YATES. Why do you have no investigators in the Caribbean?

Mr. RICHARDS. Well, that is a matter of budget and historical happenstance. Our investigator in the Virgin Islands resigned and went with another agency. Budget considerations were such that we had needs in other parts of the country, and we simply did not fill the position. Gramm-Rudman-Hollings is always something we have to think about. But we are planning tentatively to refill that position a little bit later this year, if the budget permits.

Mr. YATES. Are there any investigations that you would like to initiate or that you have been asked to initiate that have not been undertaken because of lack of resources?

Mr. RICHARDS. No, but let me qualify that "no". We undertake to investigate allegations of serious crimes or frauds or allegations that, if true, would constitute serious crimes or frauds. Sometimes we get a variety of allegations involving wrongdoing, which if true would fall short of criminal violations. We usually refer those back to the appropriate bureau for their investigation under our oversight.

In other words, we look to see that they do an adequate job, that they simply don't whitewash something or just give it the back of their hand. And then we ask them to get back to us with their report as to what they have done. So I add that qualification.

Mr. YATES. Have you looked into the relationship of the National Park Service and the Statue of Liberty-Ellis Island Foundation in the letting of contracts?

Mr. RICHARDS. No, we haven't. I remember the question arose in the last several months, but I remember my staff briefed me and told me that GAO was coming out with a substantial audit, and we weren't sure just what was covered there. I think Mr. Vento held some hearings last week, and issued that report, but we have not looked into that.

Mr. YATES. Mr. Richards, we will have other questions for you for the record. Thank you very much.

Mr. RICHARDS. Thank you, Mr. Chairman.

[Questions and answers submitted for the record follow:]

ADDITIONAL COMMITTEE QUESTIONS SUBMITTED FOR THE RECORD

Audit Services

There is a $200,000 increase which will be used to purchase audit services from other Federal agencies.

Question: How much in your base request is for audits purchased from other Federal agencies?

Answer: Our base request includes $150,000 for purchased audit services primarily from the Defense Contract Audit Agency (DCAA) and the U.S. Department of Health and Human Services (HHS). These audits cover cost proposals and claims of the Department's contractors and grantees.

Question: Why do you need to increase audits by other Federal agencies?

Answer: Funding constraints during the current fiscal year have prohibited us from honoring all requests for audits from the Department's bureaus, and several bureau officials have expressed concern about the lack of assurance that Federal contract dollars are being properly spent. The $150,000 available for purchased audits this year is less than in the last four years when the amounts spent ranged from $296,000 to $523,000. The $200,000 requested would bring us to $350,000 and closer to prior year funding levels. While we conduct some contract audits with our own staff, we have not been able to fully make up the difference because of staff reductions and other audit priorities.

Question: On a cost basis, is it less expensive to have other agencies do the audits?

Answer: It is less expensive to contract with DCAA and HHS than to do the audits with our own staff. The DCAA and HHS can conduct the audits more efficiently because of their current or prior audit experience with the contractors and grantees. Also, travel costs are substantially reduced because these agencies generally have auditors located in the vicinity of the contractor or grantee.

Question: Is it possible for other Federal agencies to do more audits than you have suggested?

Answer: Yes. As stated in item 2, we have turned down requests for audits because of funding constraints.

Question: What programs are most conducive to audit by other Federal agencies?

Answer: As stated in item 2, we primarily contract with DCAA and HHS for audits of contracts and grants with private firms and colleges and universities.

Replacement of Microcomputers

There is a $65,000 request for microcomputers and to replace equipment past its life expectancy.

Question: Do you expect to achieve any savings through the purchase of microcomputers? If so, what would they be?

Answer: These microcomputers would replace outdated word processing equipment in our regional offices. The equipment is costly to maintain, is causing significant periods of down time and has only limited capability by today's standards. Our experience has shown that the microcomputers are much less costly to maintain and have far greater capability. As a result, we will increase our capacity at a reduced cost.

Question: Does the request allow you to replace all your equipment that is past its life expectancy?

Answer: Yes, the requested funds would allow us to replace the outdated word processing equipment that is needed at this time.

Accomplishment of Fewer Audits in FY 1987

Question: Why would you expect to accomplish fewer audits of programs, functions and organizational entities in FY 1987? The FY 1986 estimate is 149 and the FY 1987 estimate is 126.

Answer: The decrease in the number of audit reports issued from 149 to 126 is principally the result of overall budget reductions in general, and the impact of the Single Audit Act of 1984, in specific. The Act requires state, local, territorial and Indian organizations to arrange for annual audits of all Federal assistance. Because the Act will be fully implemented in FY 1987, the number of audit reports to be issued will increase dramatically. OIG is responsible for oversight, quality assurance, issuance, and followup for reports issued by 65 state and local agencies and 300 Indian tribes. In order to meet this increased workload, resources will be diverted from internal audit activity to single audits.

President's Commission on Americans Outdoors

The President's Commission on Americans Outdoors is receiving funding from several Interior agencies (BLM, FWS, and NPS).

Question: What are your plans for auditing the Commission's use of these funds?

Answer: Based on your question, we briefly researched the financial status of the Commission. The Commission's authorized budget for Fiscal Year 1986 is $1,486,000, which provides funds for staff salaries, facilities and support services. Obligations currently total about $673,000. This is not on our current list of audit priorities, and we have no plans to audit the Commission's use of funds at this time. However, we would consider an audit if requested or if we become aware of any problems concerning the Commission's activities.

Question: Do you audit other organizations which have ties to the Department of the Interior such as the Fish and Wildlife Service Foundation and the National Park Foundation?

Answer: Yes, the OIG does audit other organizations which have financial ties to the Department of the Interior. For example, we are currently auditing the Wolf Trap Foundation and the Navajo and Hopi Indian Relocation Commission, and we plan to audit the National Park Foundation during Fiscal Year 1986.

Use of BLM Law Enforcement Staff

Question: What happened to your request to supplement your staff by using BLM law enforcement staff?

Answer: In December 1985, with the concurrence of the Director of BLM, we prepared a position paper on this matter for the Under Secretary. Our request for the transfer of BLM investigators to OIG was signed off by the Solicitor's Office, but concurrence was denied by the Office of the Assistant Secretary for Land and Minerals Management. At this point, we have not pursued the matter any further.

Question: How responsive have other than Interior agencies such as the FBI and Postal Inspectors been to your requests for assistance?

Answer: We have an excellent working relationship with other than Interior agencies, such as the FBI, U.S. Postal Inspection Service and other IG's. Our investigative field offices have and continue to work jointly with these agencies on a number of investigations.

Question: Are there investigations you would like to initiate or that others have asked you to initiate that have not been undertaken because of lack of resources?

Answer: There are investigations that we would have considered initiating and areas in which we would like to do more IG initiated "proactive" work. The programs and operations of any department produce a certain volume of criminal and civil fraud matters, and many of these can only be resolved by detailed investigations and attendant court actions. But, in investigations, when resources decline, we increase selectivity in the cases we accept for investigation and decrease proactive efforts. Our present staffing is adequate for a highly selective, low proactive profile.

Question: From those investigations that you have pursued through the judicial system, what conviction rate have you achieved?

Answer: In the past two years, we obtained 134 indictments; only two defendants were acquitted. Our conviction rate on indicted cases is 98.5%.

Audits vs Investigations

Question: From a cost effectiveness point of view, which provides a better return, your audits or your investigations?

Answer: Generally speaking, audits are more cost effective than investigations, primarily because we can pick and choose vulnerable programs and operations as targets of audit. Conversely, investigations are mainly reactive to allegations of fraud or other criminal conduct, and we cannot pick and choose which investigation we want to conduct based upon potential financial return. Ultimately, the investigation of such allegations is a calculated price that we should pay in order to prevent or deter the violation of laws and to insure the integrity and credibility of Government.

Unobligated Balance Lapsing in FY 1985

Question: Provide for the record the reason for the unobligated balance lapsing in FY 1985.

Answer: OIG anticipated funding and staff reductions between FY 1985 and FY 1986 equal to 34 positions. In anticipation of this, it was necessary to allow attrition to bring our staffing level down to the level that could be afforded in FY 1986. As a result, some funds lapsed at the end of FY 1985.

Detail of Permanent Positions

The detail of permanent positions submitted to the Committee shows a large increase in the average grade of the Office of Inspector General. The increase is from 10.98 in FY 1985 to 11.56 in FY 1986 and occurs mostly because of a doubling in the number of GS-12's.

Question: Please explain this increase in the average grade.

Answer: The reason for the increase in the average grade is that OIG stopped hiring new employees toward the end of FY 1985. Consequently, no lower grade people are joining the staff and those in grades below the full performance level of GS-12 will move up as they develop their skills and experience. As a result, we anticipate a larger percentage of our staff will be at the GS-12 level in FY 1986.

Question: Why aren't you subject to the same grade controls as the rest of the Department?

Answer: OIG is subject to the same grade controls as other offices in the Department. The increase in the average grade represents no change in the authorized grades of our employees but rather a change in the mix due to diminished hiring.

MONDAY, APIRL 28, 1986.

OFFICE OF THE SOLICITOR

WITNESSES

RALPH W. TARR, SOLICITOR

GALE A. NORTON, ASSOCIATE SOLICITOR, CONSERVATION AND WILDLIFE

WILLIAM PIERCE ELLIOTT, JR., ACTING ASSOCIATE SOLICITOR, ENERGY AND RESOURCES

TIMOTHY S. ELLIOTT, ACTING ASSOCIATE SOLICITOR, GENERAL LAW

TIMOTHY A. VOLLMANN, ASSOCIATE SOLICITOR, INDIAN AFFAIRS

CHRISTOPHER B. CANNON, ASSOCIATE SOLICITOR, SURFACE MINING

THOMAS E. ROBINSON, ASSOCIATE SOLICITOR, AUDIT AND INVESTIGATION

TERRANCE C. WILES, DIRECTOR OF ADMINISTRATION

ANTHONY L. ITTEILAG, DIRECTOR, OFFICE OF BUDGET

OPENING REMARKS

Mr. YATES. Now we have the Solicitor for the I.G. Good afternoon, Mr. Tarr.

Mr. TARR. Good afternoon, Mr. Chairman.

Mr. YATES. You are the new Solicitor. We are now going to engage in the hearing for fiscal year 1987 on the budget for the Office of the Solicitor. Mr. Tarr appears in support of that budget. He is accompanied by Ms. Gale Norton, Mr. Elliott, the Solicitor for Energy and Resources. You are William Pierce Elliott, and then there is Timothy Elliott, too. Are you brothers?

Mr. TIMOTHY ELLIOTT. No.

Mr. YATES. Mr. Vollmann, Indian Affairs. Then Mr. Cannon for Surface Mining. You have been busy, haven't you?

Mr. Robinson, Associate Solicitor for Audit and Investigation. Mr. Wiles, Director of Administration, and Mr. Itteilag.

Mr. Tarr's statement may go into the record at this time, to be followed by biographies of Mr. Tarr, Ms. Norton, Timothy Elliott, and Thomas Robinson.

[The statement of Mr. Tarr and biographical sketches follow:]

Statement of Ralph W. Tarr, Solicitor
Office of the Solicitor, U.S. Department of the Interior
Before the House Subcommittee on Appropriations for the
Department of the Interior
April 28, 1986

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to appear before you to discuss the fiscal year 1987 budget request for the Office of the Solicitor.

Before addressing the highlights of our fiscal year 1987 request, I would like to discuss the actions we have taken to minimize the impact on our operations of the Gramm-Rudman-Hollings reduction in fiscal year 1986. Our available appropriation was reduced by $871,000 this fiscal year. In order to ensure that we keep expenditures within our appropriation with a minimum of disruption to our staff and to our operations, we are implementing the following cost-saving measures. We have placed restrictions on hiring; filling of vacancies for critical positions is approved on a case-by-case basis. We have also extended a travel freeze implemented earlier in the fiscal year; exceptions to the freeze must be approved by the Solicitor. In addition, overtime is restricted and ordering of certain subscriptions and publications is being postponed. Restrictions on purchase of equipment have been continued, also. By taking these actions we will be able to stay within our budget and still provide timely and quality legal advice to the client agencies.

Our request for fiscal year 1987 is $20,800,000, which is an increase of $158,000 from the fiscal year 1986 adjusted appropriation. The increase includes $1,257,000 in base adjustments and a programmatic increase of $158,000. The base adjustments consist of the following: an increase of $871,000 for an adjustment for the fiscal year 1986 impact of the Gramm-Rudman-Hollings bill; an increase of $32,000 for increased payments to the Employees Compensation Fund; and an increase of $354,000 for higher space rental payments to the General Services Administration.

The programmatic increase is requested to create a computerized data base of Solicitor's opinions and to purchase terminals to facilitate legal research and increase the ratio of equipment to users in regional and field offices. The automated data base would contain selected memoranda, letters, opinions and other documents. This information is currently available to the attorneys through manual research. We anticipate that access to the automated data base will save research time and, therefore, increase productivity.

Of the requested increase, $30,000 will be utilized for contracting with a commercial firm for converting the data to the automated system. The design for the data base will be developed within the Solicitor's Office.

We are also requesting $128,000 for the purchase of an additional terminal in each regional and field office. Usage of the automated research system will require additional terminals in order to allow the attorneys increased access to the system.

This requested level of funding will allow us to continue to provide a wide range of legal services to the Department.

Thank you, Mr. Chairman. I will now be happy to answer any questions from the Subcommittee.

BIOGRAPHIES

RALPH W. TARR

Mr. Tarr attended Dartmouth College, where he graduated magna cum laude, Phi Beta Kappa, in 1970 with a B.A. degree in Government. Subsequently, he received a Master's degree in Public Administration from the California State University in Sacramento and a J.D. degree in 1976 from the University of California, Hastings College of the Law, where he was a member of the Order of the Coif an served on the editorial review board of the Law Journal. Mr. Tarr served in a clerkship capacity for the Honorable William P. Clark, Jr. Associate Justice of the California Supreme Court and for the Honorable George D. Brown, Presiding Justice for the Fifth Judicial District of the California Court of Appeal.

Mr. Tarr has served as the Solicitor, United States Deparment of the Interior, since December 1985. From September 1982 to November 1984, Mr. Tarr served as the Principal Deputy Assistant Attorney General, Office of Legal Counsel, United States Department of Justice. From November 1984, to December 1985, Mr. Tarr served as the Acting Assistant Attorney General in charge of that Office. Prior to his government service, Mr. Tarr practiced law as a director and shareholder in a law firm in Fresno, California.

GALE A. NORTON

Gale A. Norton assumed responsibility as Associate Solicitor for Conservation and Wildlife on January 13, 1986. Prior to that time, she served as Assistant to the Deputy Secretary of the Deparment of Agriculture.

In 1983–84, Ms. Norton was a National Fellow of Stanford University's Hoover Institution on War, Resolution and Peace. From 1979 to 1983, Ms. Norton practiced law in Denver as a senior attorney with Mountain States Legal Foundation. She taught transportation law at the University of Denver College of Law and was a law clerk for the Colorado Court of Appeals

Ms. Norton received a J.D. in 1978 and B.A. magna cum laude in 1975 from the University of Denver.

Ms. Norton has published articles in the Harvard Journal of Law and Public Policy, Heritage Foundation's Agenda '83, and the Transportation Law Journal, and has researched environmental issues for the Political Economy Research Center and the Council on Environmental Quality.

TIMOTHY S. ELLIOTT

Timothy S. Elliott is the Deputy Associate Solicitor for the Division of General Law and is serving as the Acting Associate Solicitor for that Division. Mr. Elliott came to Interior from the IBM Corporation in 1974 as Assistant Solicitor for Administrative Law. In 1978, he was made Deputy Associate of the Division.

He graduated from Brandeis University in 1960 with a B.A. degree and holds a J.D. degree from Harvard Law School. After serving in the New York National Guard, Mr. Elliott was admitted to the New York Bar.

THOMAS E. ROBINSON

Thomas E. Robinson is the Associate Solicitor for the Division of Audit and Investigation. From 1977 to 1985, Mr. Robinson served as the Deputy Assistant General Counsel, General Law, United States Department of Energy.

Since his admission to the bar in 1961, he has engaged in private law practice and has served successively as a staff member in the United States Senate, as Assistant Dean of the Stanford Law School, and as a program director and legal counsel with the Educational Testing Service in Princeton, New Jersey.

Mr. Robinson is a graduate of Yale where he received a B.A. degree in 1957 and an LL.B. degree in 1961. He is a member of the American, Federal, District of Columbia, and Nebraska Bar Associations.

INTRODUCTORY COMMENTS

Mr. YATES. Mr. Tarr, tell us about the work of your department.

Mr. TARR. Mr. Chairman, I approach that subject with a great deal of respect for the fact that you, through your hearings here, are much more familiar with it than I am having come in at the end of December of this year in the midst of the budget process.

As a matter of fact, the justifications are as of the date of my arrival time. In the three or four months I have been there I have taken the effort to deal with the Gramm-Rudman effect on the budget and at the same time understand how we deploy our forces and how we do our job.

The effect of the Gramm-Rudman is to force us in the positive sense to look at our operation and see how we operate and how we can do a better job with the smaller amount of resources allocated to us.

Mr. **Yates**. Are they too small for your needs?

Mr. **Tarr**. I am not confident that that is the case this year. We are making every effort to identify those things that we should or should not be doing.

I have identified some in the time I have been here and tried to provide better service for the things that we should be doing.

Mr. **Yates**. Let me ask you a question that comes up in connection with some other hearings of ours. I assume that it should be addressed to your Associate Solicitor for Conservation and Wildlife, Ms. Norton.

STATUE OF LIBERTY FOUNDATION CONTRACTS

Are you having any difficulties with the contracts of the Statue of Liberty Foundation?

Ms. Norton, how long have you been with the department?

Ms. **Norton**. Since January of this year.

Mr. **Yates**. Who handled it before you?

Ms. **Norton**. Keith Eastin was my predecessor and he is now Deputy Under Secretary.

Mr. **Yates**. Do you know anything about this?

Ms. **Norton**. Keith has continued on with handling that.

Mr. **Yates**. Does that mean you don't know anything about it?

Ms. **Norton**. Generally, yes.

Mr. **Yates**. The reason I asked the question is I read the Chicago Tribune for today and it says for the 100th birthday of the Statue of Liberty, America's premier symbol of freedom, they ran an ad showing the lady on her side, and said she was broken and rundown.

To get the money to fix her up, they called on corporate America to take advantage of the statue as a monumental profit opportunity.

What they meant was the chance to use the statue, a national monument under the guardianship of the National Park Service, as an official marketing symbol.

One corporate sponsor has proclaimed his product is the "Wine of the Liberty Centennial".

Another has become the "official airport of the Statue of Liberty Centennial".

They have used her as a backdrop for beer, whisky, and tobacco ads; for promoting credit cards, breakfast cereal, and cuff links.

In a trade journal ad, the Statue of Liberty—Ellis Island Foundation, a private group appointed by the U.S. Interior Department, told retailers, "Now you have a profit opportunity of historic proportions," and it agreed to let commercial enterprises act as a headquarters for the restoration program—for a share of the profits.

Nobody likes that kind of advertising. But the question that comes to my mind is one that I have asked the Park Service about, and that was the question I propounded to the Park Service expecting a concession given to the Eastman Kodak Company.

CONCESSION FOR EASTMAN KODAK

When I asked the Park Service about a special concession for Eastman Kodak, I was told it was a six-month special concession.

I later received a letter from the Park Service telling me it was not six months but 30 years they had given the special concession to Kodak, and I wondered whether or not any of these contracts come to your office for approval.

Mr. **Tarr**. Those, as I understand it, are—I am not sure about the one the Chairman just mentioned, but as I understand it, these arrangements on the Statue of Liberty are involved with the Foundation.

The Foundation is a private entity that we don't do the legal work for.

Mr. **Yates**. No, but you do it for the Park Service?

Mr. **Tarr**. That is true.

Mr. **Yates**. And if the Park Service is giving away—well, let me read from another article.

I wonder how much protection you give the Park Service if you are called into activity.

The Chicago Sun Times, Monday, April 21, it says: "Statue of Liberty Graft. 'The Interior Department failed to exert strong control over the restoration of the Statue of Liberty, but charges of fiscal wrongdoing have proved unfounded,' a congressman said yesterday. Preliminary findings of a government audit to be released tomorrow show the project's private fundraisers failed to comply with various regulations that would have given the Department more control over the project run by Lee Iacocca."

"Interior 'gave away the store with very little control,' said Representative Bruce Vento. 'They didn't exert strong control over the individuals who were leading the parade."

I don't know whether Park Service was remiss in not calling on you for more legal work or more legal help.

MEMORANDUM OF AGREEMENT WITH FOUNDATION

Well, let me start again. Here is a memorandum of agreement between the Department of the Interior and the Statue of Liberty Ellis Island Foundation dated October 21, 1983, that was before our time, of course, and before Ms. Norton's time.

But would anybody—I don't know whether any of your people were in your office in 1983. Is this something that would be submitted to your office for approval? Would you be asked to call upon—

Mr. **Tarr**. I believe this one may well have been reviewed by our office.

Mr. **Yates**. Did you have the opportunity to review that?

Mr. TIMOTHY ELLIOTT. Yes, we did.

CONTRACTS WITH CORPORATE ORGANIZATIONS

Mr. YATES. Does that agreement give the right to the Foundation to execute 30-year contracts or to sell 30-year contracts to corporate organizations? I didn't see it.

Mr. TIMOTHY ELLIOTT. My recollection is that, no, it does not. It is an agreement—this was one of a small number of agreements.

They were individual foundations or associations that were private organizations that wished to raise money for the Statue of Liberty and Ellis Island Centennials and the restoration thereof, and to contribute that money to the Department of the Interior through the Park Service for the restoration and the Centennial celebrations.

This is one of the organizations. It has become the primary one. There is no right given to them to issue concession contracts.

Those concession contracts which are, I believe, provided by statute to the Park Service—Ms. Norton knows better than I; the concession contracts exist at virtually every National Park for long periods of time, usually about 30 years.

If Kodak has a 30-year concession contract, I would assume it has been awarded by the Park Service.

The Foundation may have entered into some 30-year contracts——

Mr. YATES. Here is the letter I have from the Park Service signed by Herbert Cables, Regional Director of the Park Service for the North Atlantic Region.

"During my appearance before the House Committee on Appropriations' Subcommittee on Interior during the week of March 10, I responded to various questions concerning the terms and scope of the agreement between the National Park Service and Eastman Kodak Company, which will be allowed to temporarily display its America's Family Album.

"I would like to bring to your attention an error in my statement concerning the length of time the exhibit will be in place.

"The tenure of the exhibit is not short-term. Our commitment to Kodak was to locate the exhibit at the Statue of Liberty until Ellis Island was available.

"We expect that this will happen by 1988. The Statue of Liberty Ellis Island Foundation, Inc., is committed to the maintenance of the exhibit for a period of 30 years and the National Park Service has agreed to its display for this period of time."

How do they get that authority is my question. Is there a basic inherent authority in the Park Service to approve a contract like that for 30 days?

How could the Park Service permit such a contract?

AUTHORITY FOR CONCESSION CONTRACTS

Mr. TIMOTHY ELLIOTT. There is statutory authority within the Park Service to enter into concession contracts.

Mr. YATES. But that is for the operation of a concession within a——

Mr. **Timothy Elliott**. Well, there may be a concession contract. I am unaware of it, because I don't deal daily with the Park Service.

It is not associated directly with this agreement, which is an arm—our concern in executing this agreement that you referred to earlier was that we have some control over the funds, and we allow the donors of the fund to have some say as to what gets done with them.

Mr. **Yates**. I think what we had better find out from the Park Service, one, is to obtain a copy of the agreement between the Statue of Liberty Ellis Island Foundation and Kodak for the period of 30 years and also the approval of the Park Service, what the indication of that was.

[The information follows:]

AGREEMENT WITH KODAK

January 7, 1985

The Statue of Liberty -
Ellis Island Foundation, Inc.
101 Park Avenue
New York, NY 10178

Gentlemen:

This letter, when accepted by The Statue of Liberty - Ellis Island Foundation, Inc. (the "Foundation"), will serve as an agreement permitting Kodak to engage in certain activities in connection with its role as a Founding Sponsor of the Liberty Centennial as follows:

1. Kodak expects to mount a promotion entitled "America's Family Album" with the following principal components:
    a. Consumers will be offered, through nationwide advertising, an opportunity to send photographs of themselves and their family to Kodak together with a payment of approximately $10.00 and such photograph(s) would be placed in an exhibit at the refurbished Ellis Island.
    b. The submitters will be requested to provide certain other data concerning themselves, the photograph, and the immigration of their family to the United States, and will be urged to submit photographs having interpretive value. The information requested will be correlated with efforts of the Foundation and the National Parks Service to compile historical information.
    c. All photographs will be subject to possible editing, cropping or rejection by the Foundation, provided that in the event of any such rejection, the payment of the submitter will be returned. No photographs will be returned.
    d. Consumers will be urged to submit photographs containing elements of interest to present or future visitors to Ellis Island, but approval will not depend on photographic quality or historical significance. Rejection shall be appropriate where a picture is obscene or otherwise unreasonably offensive in nature.

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e. Photographs will be converted into electronic or other recordable form for storage and display on a screen at Ellis Island.

f. A system will be established in cooperation with the National Parks Service whereby visitors to Ellis Island will have access to call up to a screen any filed photograph in the "Album" (even if they themselves have not participated in the program).

g. The initial location of the exhibit is expected to be on the second floor of the base of the Statue of Liberty. After completion of a new separate area expected to contain various corporate exhibits, America's Family Album may, if requested by the National Parks Service, be transferred to such area.

h. Kodak shall provide for the handling of submissions from the public, for conversion of photographs into recordable form and for purchase of all hardware associated therewith.

i. Kodak shall be responsible for the initial installation of the exhibit and all signage, which shall be subject to the approval of the Foundation and the National Parks Service. After installation, expected to occur on or before October, 1986, responsibility for maintenance and operation of America's Family Album shall become the responsibility of the Foundation. (Arrangements concerning the possible placement of the "Album" in the corporate exhibit area shall be subject to future negotiations.) The Foundation understands that Kodak will be offering the public an opportunity to participate in this program on the basis that the exhibit will contain submitted photos for "decades to come." Therefore, the Foundation undertakes to see that such exhibit is maintained for at least 30 years from its inception. For so long as the exhibit is open, Kodak shall be identified as its originating sponsor and no other company will be permitted to

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be identified with it. Signage or other identification giving appropriate recognition of Kodak's role in the program will be located at or near the exhibit, subject to approval by the National Parks Service.

j. Consumers will have the opportunity to submit as many photographs as they wish, each to be accompanied by a $10 payment, but repetitious photographs will not be encouraged.

k. After expenditures for costs paid by Kodak in handling submissions, compiling the database and setting up the exhibit (exclusive of any advertising costs) the entire net proceeds shall be paid to the Foundation as realized by Kodak except as provided in "l" below. All such costs will be accounted for in detail to the Foundation.

l. The net proceeds paid to the Foundation shall be credited as advance payments against the total $5 million due to the Foundation under Kodak's Sponsorship Agreement. The net proceeds, after deduction of Kodak's costs (including those reasonably anticipated, but not yet actually incurred), received by Kodak by October 31, 1985 shall be paid to the Foundation on or before December 15, 1985 except that from such net proceeds shall first be regained by Kodak the sum of $1 million heretofore paid to the Foundation. The balance shall be paid to the Foundation directly and credited against Kodak's eight remaining contractual payments in chronological order beginning with the payment due December 15, 1985. The second and final payment of net proceeds from the program (scheduled to close December 31, 1986) shall be made on or before February 15, 1987.

m. All publicity or advertising materials soliciting participation in this program shall contain a statement indicating that the funds paid will help Kodak meet its commitment. Some examples of such a statement are provided in "Exhibit A" attached. Whether any part of the payment is tax deductible shall not be indicated in such materials, but shall be left to the consumer's discretion.

n. All advertising and promotional material shall be subject to the Foundation's prior approval in writing, which shall not unreasonably be withheld.

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2. Kodak shall be permitted generally to solicit contributions to the Foundation in other advertising and to the extent that such advertising includes a statement as provided in item "1,m" above Kodak shall receive credit against its existing commitment to the Foundation for funds generated therefrom. A special P.O. box shall be designated to track those funds generated through Kodak advertising. Kodak may, if it deems it appropriate, indicate in such advertising the tax deductible nature of the contribution.

3. The Foundation represents that the National Parks Service is aware of the provisions of this agreement and has no objection to them.

Please confirm your acceptance of the foregoing by signing in the space below and returning one fully signed letter to us.

Very truly yours,

Eastman Kodak Company

William K Pedersen

By: William K. Pedersen
Assistant Vice President

Accepted and agreed to:

The Statue of Liberty-Ellis
Island Foundation, Inc.

By: Stephen A Briganti

Date: Jan. 14, 1985

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EXHIBIT A

1. "Your payment will help defray the cost of America's Family Album and you'll be helping Kodak meet its commitment to restore these symbols of freedom."

2. "Your check and photo will help us fill America's Family Album and fulfill our promise to support the Liberty/Ellis restoration."

3. "We've pledged our support for the restoration of the Statue of Liberty and Ellis Island. Your check and photo will help us fulfill that pledge."

4. "Kodak is committed to help restore the Statue of Liberty and Ellis Island. Help us meet that commitment by joining America's Family Album."

A52(022)

APR 01 1986

Memorandum

To: WASO and Field Directorate and All Superintendents

From: Director William Penn Mott, Jr.

Subject: Policy on Fund Raising and Philanthropy

Attached is a new comprehensive policy on fund raising and philanthropy. The policy applies to all on-going and new fund raising activities by and on behalf of units of the National Park System. On-going activities should be brought into compliance with the policy as soon as possible. Note that all fund raising programs are to be covered by a formal Memorandum of Understanding, a model of which is also included for adaptation and use as appropriate.

I would like to emphasize that this policy is not intended to be a burden and have the effect of discouraging or unduly restricting these activities to garner private sector support. It is direction on how such programs will be conducted in a disciplined, accountable fashion.

The National Park Service has remarkable opportunity to benefit from the strong motivations of people and the business community to support the National Park System, though donations of money, talent, products and other things of value. As I noted in the latest Courier:

> "Appropriate forms of fund raising and philanthropy can be important components of the National Park system of supports. They can help fill gaps left by Gramm-Rudman and its spinoffs; they can provide a margin of excellence never otherwise available; they can meet real needs at a time in history when there is simply not enough funding available to do all the things we know need to be done....For those of you who have begun, I thank and congratulate you. For the rest, now is the time to begin."

As we gain experience under this policy, I hope you will share with me your views on its substance. If you have questions on the document, please contact Dwight Rettie, Special Assistant for Policy Development, on FTS 343-[illegible]468.

Enclosures (2)

bcc: 001(Reading File); 002(Galvin);022(Rettie, Fortmann); SOL(Watts, Hanslin)
FNP:022:DFRettie:343-7468:4/1/86:#19FundPolicy(pl)

PHILANTHROPY AND FUND RAISING
IN THE
NATIONAL PARK SERVICE

Philanthropy has a long history in the National Park System. In years past the parks have benefitted from donated money, art, furnishings, historic artifacts, land, buildings--even entire parks. Donations are often explicitly authorized or encouraged by Congress in legislation affecting new parks or existing ones.

In the past the National Park Service has been largely a passive recipient of private philanthropy. Over the last decade, philanthropy in the National Park System has seen gradual change. Donations do not come only from very wealthy people, as many people of much more modest means have taken opportunity to express their appreciation and concern for the National Park heritage through gifts as varied as the parks themselves.

Today further change is in process. The National Park Service is moving beyond a merely passive role in philanthropy, to facilitate donations and actively encourage these expressions of public support and concern.

However, fund raising by a Federal bureau is not a common form of activity, and in moving toward a more active role of facilitating private donations, the National Park Service will proceed with orderly caution, not only because such a role is largely new, but also because the Service will take deliberate precautions to avoid problems and conflicts which may possibly arise. For example, the Service will be concerned about the tone and content of campaigns designed and conducted by private organizations on its behalf. The Service will be concerned about who is approached and how. The Service will be concerned at how much fund raising costs and what amount of the funds raised will actually benefit the parks.

Being cautious and concerned about the content of fund raising programs does not, however, mean compromising enthusiasm or building roadblocks to success. A 1985 survey indicates that already 92 percent of all NPS units are involved in some form of fund raising. An active program to facilitate philanthropy is a positive and timely response to constrained Federal and National Park Service budgets that must, of necessity, focus the limited resources on core mission essentials. Private donations can, however, afford a "margin of excellence" to benefitting National Park System units that will enrich visitors' experiences and afford a measure of resource protection otherwise not available.

This evolution in National Park Service strategy is also a timely response to private initiatives that are often the consequence of spontaneous expressions of appreciative concern for individual parks or their natural, cultural, or recreational resources.

This change is, additionally, a timely response to changes in the general climate surrounding parks and recreation as an object of private giving. In the last decade parks and park systems at all levels of government have benefitted from increasing philanthropic expressions by park visitors and supporters. Donations are common at museums and other cultural and recreational facilities. The National Park System is in position to similarly benefit as, indeed, it already does in many locations through donation boxes, wishing wells, and similar devices.

The current private initiatives to restore the Statue of Liberty and Ellis Island are examples of private groups taking action on behalf of a park, without any prior stimulus or coaxing from the National Park Service. It is appropriate that the Park Service have the capability to interact with such external initiatives--to provide factual information, to set voluntary standards and guidelines for such actions, and to do all it can to assure that funds subsequently donated to the National Park Service are used appropriately and effectively.

Of course, NPS cannot control or assume any measure of practical responsibility for the conduct or operations of private individuals and organizations, but it can respond affirmatively with guidance and leadership.

In moving toward a more activist role, the National Park Service is mindful of the need to avoid potential problems. The National Parks are "special places" in public trust, the care and financing of which are the shared responsibiity of the Congress and the President, through the National Park Service. Under our system of government, the major policies and financing decisions affecting the National Park System are subject to elaborate checks and balances and oversight to insure accountability, continuity, and integrity. Private donations may or may appear to circumvent those protective processes and thereby cause concern. NPS must avoid such conflicts so that fund raising efforts run smoothly and positively.

The National Park Service will address these concerns directly, through policies and controls that will to the greatest extent possible extend to these actions the same criteria and internal controls afforded appropriated funds and the goods and services they buy.

Except in limited activities detailed below, NPS's role in private philanthropy will be that of facilitator and coordinator for non-governmental institutions or individuals working on the Service's behalf. The Service's role will be that of authorizing the project(s) to be funded, with the Service providing information and reviewing and approving communications materials intended for the public, within a policy structure that insures the integrity of all activities undertaken for the benefit of the National Park System.

The National Park Service program will include donation boxes, gift catalogs, appropriate authorized fund raising campaigns by outside organizations and institutions, and such other creative undertakings and activities as may be approved.

Donation Boxes

Over 120 parks already have donation boxes for voluntary visitor contributions. With each donation box is an official explanation of what the donated funds will be used for. Donation boxes provide a convenient way for visitors to spontaneously express their appreciation for the park during a visit. Monies collected in donation boxes are accounted for in the same way as other cash receipts, including measures for accountability, security, and appropriate documentation.

Gift Catalogs

Gift catalogs list giving opportunities for consideration by a variety of donors. Gift catalogs identify items for which donations may be designated, thereby giving potential donors examples of things the park needs and explaining specifically how a donation may support the park. Over 27 catalogs have been produced for NPS units. Several catalogs cover more than one park unit.

Donations associated with a gift catalog are to be received and accounted for in the same way as any other money or property. All gift catalogs will be paid for by donated funds or services.

Fund Raising Campaigns

The third form of fund raising activity are organized "campaigns" associated with individual parks or park projects. The National Park Service will not directly conduct or execute fund raising campaigns, but will respond to the initiative of others. The Service will (1) identify projects or objects for which donations may be sought, (2) sanction specific organizations to conduct campaigns on behalf of a park or project when that body will operate under standards set by the Service, (3) approve all printed and other informational materials distributed to the public, and (4) insure accountability for all donations received.

There are two major elements of a fund raising campaign on behalf of the National Park Service that merit special clarification. Fund raising by and on behalf of this Federal agency is not (and will not be permitted to become) an activity indicating the failure of the normal appropriations process to meet the day-to-day needs of the National Park System. Those needs are, in fact, met as part of the regular budget process and action on the budget by Congress. The needs which NPS may identify as appropriate objects for private philanthropic support are external to those which are included in appropriations requests.

It is important that NPS employees and those outside the Service working on behalf of the parks be sensitive to the roles of the President and the Congress in financing the National Park System. Fund raising campaigns may be undertaken to provide a "margin of excellence" for the System and employees and friends must be careful not to derogate the Congress or the President or to imply the failure of others to meet their responsibilities to oversee and finance the System.

The second element of fund raising that is a point of concern is the degree to which the Service will "control" the fund raisers and the materials used by them and on their behalf.

There are distinct limits to what NPS can do to control private actions, even those for which the Service is the direct beneficiary. The Service, will, however, attempt to strongly influence those actions through setting standards, by providing oversight, and, if necessary, through public statements as to the merits of individual efforts. The Service will take special care to make certain its own actions are disciplined and within a carefully drawn policy framework, the substance of which is detailed in the following statements.

Policies and Principles

All major fund raising programs in which the Service is an active participant, will be carried out only after formal approval by the Director of a plan covering such activities. Plans will spell out, to the extent known, the purposes, goals, schedules, potential donors, geographic scope, costs, proposed use of receipts, and the roles, participants, and sponsorships of all affected parties. On-going activities under approved plans will be coordinated through the Deputy Director, who will serve as the Servicewide program coordinator. Major fund raising programs are defined as those whose goals total $1 million or more.

The Servicewide coordinator will also be responsible for the review of all individual gifts having a value in excess of $250,000. Such gifts will be accepted only after approval in advance by the Deputy Director.

Other activities, including donation boxes, gift catalogues, and campaigns for less than $1 million, will be approved and coordinated by the appropriate Regional Director.

Fund raising activities totalling less than $250,000 may be approved by the Regional Director or that appproval may be delegated to superintendents or unit managers.

All fund raising activities will be in concert with Interior Department standards governing employee conduct and conflicts of interest. (See 43 CFR, Parts 1 through 7.)

The aims of all fund raising campaigns and philanthropic activities sanctioned by the National Park Service will be consistent with approved General Management Plans and other park specific plans, and with the National Park Service "Management Policies."

Major fund raising campaigns will not be directed toward life-safety projects or materials, or recurring maintenance activities, but should emphasize capital improvements or major programs, such as summer-in-the-parks.

Research projects, books, mapping, and all projects requiring planning and design (including films and exhibits) to be funded by donations require the same review and approval stages as similar projects funded through the normal budget process.

Money and other negotiable donations received by the National Park Service shall be deposited to the appropriate NPS donations account. Donations may also be made to third parties, such as the National Park Foundation, a cooperating association, friends organization, or other non-profit institution, etc. on behalf of the National Park Service for subsequent expenditure by the association, etc., on specific approved projects. However, NPS can assume no responsibility for third party donations prior to their formal acceptance by the Service.

Neither appropriated funds nor contributions deposited to an NPS donation account may be used to fund or reimburse the costs of professional fund raising consultations or services, purchase of mailing lists, postage for mass mailings, or telethon or phone bank expenses, or similar activities.

All efforts will be made by the Service to formalize fund raising campaigns on its behalf through a Memorandum of Understanding with the organization conducting the campaign. Such Memoranda shall not impose any liability or obligation of any type on the Government and shall contain a termination-for-convenience clause. Memoranda of Understanding covering fund raising campaigns by outside parties and organizations will also require that all printed and audio-visual materials, posters, advertisements, and other literature be approved in advance by the Service. Memoranda of Understanding will receive policy and legal reviews prior to execution by the park Superintendent or manager. A model Memorandum is available from the Office of the Director.

The level of review follows the dollar levels associated with delegations. Reviews will cover technical and legal adequacy, and compliance with NPS policy and practice.

Efforts will be made to negotiate a Memorandum of Understanding covering all outside fund raising activities on behalf of the parks. Should this not be possible, the National Park Service will not approve the effort.

Further, in order to remove concerns that donations are being used to circumvent decisions made by Congress, all gifts which will require annual funding for operations and maintenance or staffing (FTE's) or unfunded non-recurring costs may only be accepted when approved in advance by the Deputy Director. Requests for approval must identify the source(s) of funding, whether within current resources or proposed future increases.

There will be no duplication in items accepted for donation or for which donations are being solicited and items included in an annual budget request to Congress.

Accountability will be achieved by requiring that all monetary gifts be accounted for and disbursed under the same standards of accountability and the same internal processes and protections as monies appropriated by Congress. All non-monetary gifts and items purchased with donated funds will be recorded, accounted for, managed, and otherwise treated in the same manner as other property of the United States Government.

Gifts will be appropriately acknowledged, but will not be recognized by any special privilege associated with the park, or through the naming of features after living persons or in wilderness areas. (See also the relevant policies of the U.S. Board on Geographic Names.)

As provided in the NPS "Management Policies" (See Memorials, III-15) donors will normally not be recognized by the installation of permanent plaques or memorials. If such recognition is merited, the Director's prior approval is required.

Third party organizations which receive and hold donations prior to transfer to NPS units are expected to maintain accountability for all contributions and interest generated therefrom. It is required that these organizations have independent annual financial audits and that they publish an annual report for the interested public.

All gifts and donations to NPS and to its cooperating organizations are a matter of public record. All records of fund raising activities are subject to the Freedom of Information Act.

The National Park Service will neither knowingly solicit nor accept gifts from concessioners or their principals or beneficial owners, nor permit others to do so on its behalf when such gifts may involve a conflict of interest or an appearance of conflict or when a gift is to be used for a service to or on behalf of a concessioner. Sums provided under legal contracts or agreements are not donations.

NPS will not solicit gifts from businesses or institutions (or their principals or beneficial owners) having a contractual relationship with the Service; the Service may accept unsolicited gifts from such businesses or institutions only where there can be no appearance of conflict of interest or impropriety. This prohibition does not extend to Cooperating Associations operating under a formal agreement.

NPS will publish an annual report on fund raising and philanthropy.

These policies may be waived only by the Director, National Park Service.

Approved:
William Penn Mott
Director

Date: 4/1/86

MODEL

MEMORANDUM OF UNDERSTANDING

BETWEEN THE

NATIONAL PARK SERVICE

AND

[NAME OF COOPERATING ORGANIZATION]

THIS UNDERSTANDING is hereby entered into this ______ day of __________, 19____, by and between the [name of cooperating organization], a corporation organized and doing business under the laws of the State of ______________, hereinafter referred to as the Corporation, and the National Park Service, U.S. Department of the Interior, covering certain fund raising and philanthropic activities which are intended to benefit the National Park System.

Whereas [name of park], a unit of the National Park System, hereinafter referred to as "the park," would receive [identify benefits to be obtained] through this fund raising effort; and whereas the benefits to the park are consistent with the intent of Congress in authorizing the park as part of the National Park System;

Whereas, the National Park Service through the Secretary of the Interior has authority to accept donations for the purposes embraced by this Memorandum of Understanding (See 41 Stat. 917, 16 U.S.C. 6);

Whereas, nothing in this Understanding shall affect or interfere with fulfillment of the obligations or exercise of the authority of the National Park Service or any other Federal Agency;

Whereas, NPS wishes to recognize and encourage [name of cooperating organization] in conducting its fund raising effort to benefit the park.

NOW THEREFORE the parties agree as follows:

(1) The National Park Service recognizes the Corporation as an organization suited to raise funds for the benefit of the park;

(2) The Corporation intends to donate to the National Park Service funds, materials or services to [insert a description of the projects and activities to be undertaken] under the following terms and conditions:

A. Fund Raising Activities.

1. The Corporation shall be fully qualified under State and Federal law to engage in fund raising and receive philanthropic contributions for the purposes enumerated herein.

2. Within 60 days of the effective date of this Understanding, the Corporation shall furnish to NPS for approval a plan of operations which will clearly identify the roles and responsibilities of both the National Park Service and the Corporation and will also indicate the overall strategy for fund raising, the specific fund raising techniques to be used, timetables covering the length of time required for the fund raising effort, administrative and support structures, projected costs, and estimated results. Such plan shall be updated as conditions change, and, in any event, on at least an annual basis. Any materials prepared for public consumption, such as individual promotional activities, brochures, or any other form of publicity will be submitted to the National Park Service for formal review and approval prior to its release. In addition, any agreements the Corporation proposes to enter into with third parties in furtherance of its activities hereunder shall be subject to approval by the National Park Service.

3. Within 90 days from the execution of this Understanding and quarterly thereafter, the Corporation shall submit status reports to the National Park Service setting forth the progress of the fund raising effort, any present or anticipated problems, and financial projections for remaining work and the progress of the fund raising programs. The report shall also set forth quarterly goals for the fund raising efforts and shall compare the performance during the prior quarter to the goals set forth for that quarter. The reports following the first shall be submitted by the 15th day of the month following the end of each calendar quarter.

4. All costs of the fund raising campaign shall be borne by the Corporation.

5. Funds received and expended by the Corporation from whatever source and for whatever purposes shall be accounted for under a system of accounts and financial controls meeting accepted professional standards for non-profit charitable organizations; the Corporation shall engage an annual audit by a qualified audit firm, and shall publish an annual report of its activities and finances. All such accounts shall be subject to audit by NPS or its authorized representative.

6. Funds donated to the National Park Service by the Corporation will be placed in a special donations account and shall be used solely on behalf of and for benefit of the projects and activities set forth above unless otherwise provided by law.

6. The National Park Service will make available to the Corporation such information and data as may reasonably be required and is generally available to inform potential donors and others about the status of plans for the projects and activities to benefit.

7. The Corporation is recognized as a fund raiser of donations for the purposes and projects enumerated in this Understanding. The National Park Service may choose to enter into similar arrangements with others.

B. In-Park Activities.

1. The National Park Service to the extent practicable agrees to arrange for and conduct tours, interpretive events and inspections for individuals and groups at the request of the Corporation provided that such activities shall not, in the judgment of the National Park Service, unduly infringe upon or detract from normal visitor activities and services of the park. The Corporation shall request such tours and other events through the park Superintendent (hereinafter referred to as "Superintendent") in advance. The Superintendent shall have final decision-making responsibility as to such arrangements, depending upon park workloads and staff availability.

2. The Corporation shall apply for and abide by the terms and conditions of a special events permit for each such event it proposes to conduct. The Superintendent shall have the final authority over the granting of such permits.

3. The Corporation may not construct any structures or buildings on park land or otherwise make any alternations to park land without further written permission from the National Park Service.

C. Key Officials.

NPS:

Insert: [Name of NPS Representative]
[Mailing address]
[Telephone number]

[Corporation]:

Insert: [Name of Organization's Representative]
[Mailing address]
[Telephone number]

D. General Provisions.

1. All activities performed under this Understanding will be accomplished in conformance with the formal fund raising policies of the National Park Service which are made a part of this Understanding. (See Appendix 1).

2. The National Park Service may terminate this Understanding for the convenience of the Government at any time.

3. Subject to Section D-2 above, this Memorandum of Understanding shall be effective when signed by both parties and shall remain in effect as needed for up to three years from that date, subject to renewal by mutual agreement for a further period not to exceed three years.

4. All obligations of the National Park Service hereunder are subject to the availability of funds, and to such direction and instructions as may have been or are hereafter provided by Congress.

5. During performance under this Understanding, the Corporation agrees to abide by the terms of Executive Order 11246 (Appendix 2) on nondiscrimination and will not discriminate against any person because of race, color, religion, sex or national origin. The Corporation will take positive action to ensure that applicants are employed without regard to their race, color, religion, sex or national origin.

6. No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this understanding, or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this understanding if made with a corporation for its general benefit.

Dated the________day of__________________, 19___.

AGREED TO BY:

____
Representative, National Park Service

____
Representative, [Corporation]

APPENDIX 1

NATIONAL PARK SERVICE POLICY ON PHILANTHROPY AND FUND RAISING

SECTION 1. The following office and position is placed in level IV of the Federal Executive Salary Schedule:

(1) Special Assistant to the Secretary (for Enforcement), Treasury Department.

LYNDON B. JOHNSON

THE WHITE HOUSE,
September 16, 1965.

Executive Order 11245

PLACING A POSITION IN LEVEL V OF THE FEDERAL EXECUTIVE SALARY SCHEDULE

By virtue of the authority vested in me by subsection (f) of Section 303 of the Government Employees Salary Reform Act of 1964, and as President of the United States, it is ordered as follows:

SECTION 1. The following office and position is placed in level V of the Federal Executive Salary Schedule:

(1) Commissioner on Aging, Department of Health, Education, and Welfare.

LYNDON B. JOHNSON

THE WHITE HOUSE,
September 16, 1965.

Executive Order 11246

EQUAL EMPLOYMENT OPPORTUNITY

Under and by virtue of the authority vested in me as President of the United States by the Constitution and statutes of the United States, it is ordered as follows:

PART I—NONDISCRIMINATION IN GOVERNMENT EMPLOYMENT

SECTION 101. It is the policy of the Government of the United States to provide equal opportunity in Federal employment for all qualified persons, to prohibit discrimination in employment because of race, creed, color, or national origin, and to promote the full realization of equal employment opportunity through a positive, continuing program in each executive department and agency. The policy of equal opportunity applies to every aspect of Federal employment policy and practice.

SEC. 102. The head of each executive department and agency shall establish and maintain a positive program of equal employment opportunity for all civilian employees and applicants for employment within his jurisdiction in accordance with the policy set forth in Section 101.

SEC. 103. The Civil Service Commission shall supervise and provide leadership and guidance in the conduct of equal employment opportunity programs for the civilian employees of and applications for employment within the executive departments and agencies and shall review agency program accomplishments periodically. In order to facilitate the achievement of a model program for equal employment opportunity in the Federal service, the Commission may consult from time to time with such individuals, groups, or organizations as may be of assistance in improving the Federal program and realizing the objectives of this Part.

SEC. 104. The Civil Service Commission shall provide for the prompt, fair, and impartial consideration of all complaints of discrimination in Federal employment on the basis of race, creed, color, or national origin. Procedures for the consideration of complaints shall include at least one impartial review within the executive department or agency and shall provide for appeal to the Civil Service Commission.

SEC. 105. The Civil Service Commission shall issue such regulations, orders, and instructions as it deems necessary and appropriate to carry out its responsibilities under this Part, and the head of each executive department and agency shall comply with the regulations, orders, and instructions issued by the Commission under this Part.

PART II—NONDISCRIMINATION IN EMPLOYMENT BY GOVERNMENT CONTRACTORS AND SUBCONTRACTORS

SUBPART A—DUTIES OF THE SECRETARY OF LABOR

SEC. 201. The Secretary of Labor shall be responsible for the administration of Parts II and III of this Order and shall adopt such rules and regulations and issue such orders as he deems necessary and appropriate to achieve the purposes thereof.

SUBPART B—CONTRACTORS' AGREEMENTS

SEC. 202. Except in contracts exempted in accordance with Section 204 of this Order, all Government contracting agencies shall include in every Government contract hereafter entered into the following provisions:

"During the performance of this contract, the contractor agrees as follows:

"(1) The contractor will not discriminate against any employee or applicant for employment because of race, creed, color, or national origin. The contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, creed, color, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

"(2) The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to race, creed, color, or national origin.

"(3) The contractor will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the contractor's commitments under

Section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

"(4) The contractor will comply with all provisions of Executive Order No. 11246 of Sept. 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

"(5) The contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

"(6) In the event of the contractor's noncompliance with the nondiscrimination clauses of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of Sept. 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

"(7) The contractor will include the provisions of Paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of Sept. 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: *Provided, however,* That in the event the contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States."

SEC. 203. (a) Each contractor having a contract containing the provisions prescribed in Section 202 shall file, and shall cause each of his subcontractors to file, Compliance Reports with the contracting agency or the Secretary of Labor as may be directed. Compliance Reports shall be filed within such times and shall contain such information as to the practices, policies, programs, and employment policies, programs, and employment statistics of the contractor and each subcontractor, and shall be in such form, as the Secretary of Labor may prescribe.

(b) Bidders or prospective contractors or subcontractors may be required to state whether they have participated in any previous contract subject to the provisions of this Order, or any preceding similar Executive order, and in that event to submit, on behalf of themselves and their proposed subcontractors, Compliance Reports prior to or as an initial part of their bid or negotiation of a contract.

(c) Whenever the contractor or subcontractor has a collective bargaining agreement or other contract or understanding with a labor union or an agency referring workers or providing or supervising apprenticeship or training for such workers, the Compliance Report shall include such information as to such labor union's or agency's practices and policies affecting compliance as the Secretary of Labor may prescribe: *Provided,* That to the extent such information is within the exclusive possession of a labor union or an agency referring workers or providing or supervising apprenticeship or training and such labor union or agency shall refuse to furnish such information to the contractor, the contractor shall so certify to the contracting agency as part of its Compliance Report and shall set forth what efforts he has made to obtain such information.

(d) The contracting agency or the Secretary of Labor may direct that any bidder or prospective contractor or subcontractor shall submit, as part of his Compliance Report, a statement in writing, signed by an authorized officer or agent on behalf of any labor union or any agency referring workers or providing or supervising apprenticeship or other training, with which the bidder or prospective contractor deals, with supporting information, to the effect that the signer's practices and policies do not discriminate on the grounds of race, color, creed, or national origin, and that the signer either will affirmatively cooperate in the implementation of the policy and provisions of this Order or that it consents and agrees that recruitment, employment, and the terms and conditions of employment under the proposed contract shall be in accordance with the purposes and provisions of the Order. In the event that the union, or the agency shall refuse to execute such a statement, the Compliance Report shall so certify and set forth what efforts have been made to secure such a statement and such additional factual material as the contracting agency or the Secretary of Labor may require.

SEC. 204. The Secretary of Labor may, when he deems that special circumstances in the national interest so require, exempt a contracting agency from the requirement of including any or all of the provisions of Section 202 of this Order in any specific contract, subcontract, or purchase order. The Secretary of Labor may, by rule or regulation, also exempt certain classes of contracts, subcontracts, or purchase orders (1) whenever work is to be or has been performed outside the United States and no recruitment of workers within the limits of the United States is involved; (2) for standard commercial supplies or raw materials; (3) involving less than specified amounts of money or specified numbers of workers; or (4) to the extent that they involve subcontracts below a specified tier. The Secretary of Labor may also provide, by rule, regulation, or order, for the exemption of facilities of a contractor which are in all respects separate and distinct from activities of the contractor related to the performance of the contract: *Provided*, That such an exemption will not interfere with or impede the effectuation of the purposes of this Order: *And provided further*, That in the absence of such an exemption all facilities shall be covered by the provisions of this Order.

SUBPART C—POWERS AND DUTIES OF THE SECRETARY OF LABOR AND THE CONTRACTING AGENCIES

SEC. 205. Each contracting agency shall be primarily responsible for obtaining compliance with the rules, regulations, and orders of the Secretary of Labor with respect to contracts entered into by such agency or its contractors. All contracting agencies shall comply with the rules of the Secretary of Labor in discharging their primary responsibility for securing compliance with the provisions of contracts and otherwise with the terms of this Order and of the rules, regulations, and orders of the Secretary of Labor issued pursuant to this Order. They are directed to cooperate with the Secretary of

Labor and to furnish the Secretary of Labor such information and assistance as he may require in the performance of his functions under this Order. They are further directed to appoint or designate, from among the agency's personnel, compliance officers. It shall be the duty of such officers to seek compliance with the objectives of this Order by conference, conciliation, mediation, or persuasion.

SEC. 206. (a) The Secretary of Labor may investigate the employment practices of any Government contractor or subcontractor, or initiate such investigation by the appropriate contracting agency, to determine whether or not the contractual provisions specified in Section 202 of this Order have been violated. Such investigation shall be conducted in accordance with the procedures established by the Secretary of Labor and the investigating agency shall report to the Secretary of Labor any action taken or recommended.

(b) The Secretay of Labor may receive and investigate or cause to be investigated complaints by employees or prospective employees of a Government contractor or subcontractor which allege discrimination contrary to the contractual provisions specified in Section 202 of this Order. If this investigation is conducted for the Secretary of Labor by a contracting agency, that agency shall report to the Secretary what action has been taken or is recommended with regard to such complaints.

SEC. 207. The Secretary of Labor shall use his best efforts, directly and through contracting agencies, other interested Federal, State, and local agencies, contractors, and all other available instrumentalities to cause any labor union engaged in work under Government contracts or any agency referring workers or providing or supervising apprenticeship or training for or in the course of such work to cooperate in the implementation of the purposes of this Order. The Secretary of Labor shall, in appropriate cases, notify the Equal Employment Opportunity Commission, the Department of Justice, or other appropriate Federal agencies whenever it has reason to believe that the practices of any such labor organization or agency violate Title VI or Title VII of the Civil Rights Act of 1964 or other provision of Federal law.

SEC. 208. (a) The Secretary of Labor, or any agency, officer, or employee in the executive branch of the Government designated by rule, regulation, or order of the Secretary, may hold such hearings, public or private, as the Secretary may deem advisable for compliance, enforcement, or educational purposes.

(b) The Secretary of Labor may hold, or cause to be held, hearings in accordance with Subsection (a) of this Section prior to imposing, ordering, or recommending the imposition of penalties and sanctions under this Order. No order for debarment of any contractor from further Government contracts under Section 209(a)(6) shall be made without affording the contractor an opportunity for a hearing.

SUBPART D—SANCTIONS AND PENALTIES

SEC. 209. (a) In accordance with such rules, regulations, or orders as the Secretary of Labor may issue or adopt, the Secretary or the appropriate contracting agency may:

(1) Publish, or cause to be published, the names of contractors or unions which it has concluded have complied or have failed to comply with the provisions of this Order or of the rules, regulations, and orders of the Secretary of Labor.

(2) Recommend to the Department of Justice that, in cases in which there is substantial or material violation or the threat of substantial or material violation of the contractual provisions set forth in Section 202 of this Order, appropriate proceedings be brought to enforce those provisions, including the enjoining, within the limitations of applicable law, of organizations, individuals, or groups who prevent directly or indirectly, or seek to prevent directly or indirectly, compliance with the provisions of this Order.

(3) Recommend to the Equal Employment Opportunity Commission or the Department of Justice that appropriate proceedings be instituted under Title VII of the Civil Rights Act of 1964.

(4) Recommend to the Department of Justice that criminal proceedings be brought for the furnishing of false information to any contracting agency or to the Secretary of Labor as the case may be.

(5) Cancel, terminate, suspend, or cause to be cancelled, terminated, or suspended, any contract, or any portion or portions thereof, for failure of the contractor or subcontractor to comply with the nondiscrimination provisions of the contract. Contracts may be cancelled, terminated, or suspended absolutely or continuance of contracts may be conditioned upon a program for future compliance approved by the contracting agency.

(6) Provide that any contracting agency shall refrain from entering into further contracts, or extensions or other modifications of existing contracts, with any noncomplying contractor, until such contractor has satisfied the Secretary of Labor that such contractor has established and will carry out personnel and employment policies in compliance with the provisions of this Order.

(b) Under rules and regulations prescribed by the Secretary of Labor, each contracting agency shall make reasonable efforts within a reasonable time limitation to secure compliance with the contract provisions of this Order by methods of conference, conciliation, mediation, and persuasion before proceedings shall be instituted under Subsection (a)(2) of this Section, or before a contract shall be cancelled or terminated in whole or in part under Subsection (a)(5) of this Section for failure of a contractor or subcontractor to comply with the contract provisions of this Order.

Sec. 210. Any contracting agency taking any action authorized by this Subpart, whether on its own motion, or as directed by the Secretary of Labor, or under the rules and regulations of the Secretary, shall promptly notify the Secretary of such action. Whenever the Secretary of Labor makes a determination under this Section, he shall promptly notify the appropriate contracting agency of the action recommended. The agency shall take such action and shall report the results thereof to the Secretary of Labor within such time as the Secretary shall specify.

Sec. 211. If the Secretary shall so direct, contracting agencies shall not enter into contracts with any bidder or prospective contractor unless the bidder or prospective contractor has satisfactorily complied with the provisions of this Order or submits a program for compliance acceptable to the Secretary of Labor or, if the Secretary so authorizes, to the contracting agency.

Sec. 212. Whenever a contracting agency cancels or terminates a contract, or whenever a contractor has been debarred from further Government contracts, under Section 209(a)(6) because of noncompliance with the contract provisions with regard to nondiscrimination, the Secretary of Labor, or the contracting agency involved, shall promptly notify the Comptroller General of the United States. Any such debarment may be rescinded by the Secretary of Labor or by the contracting agency which imposed the sanction.

SUBPART E—CERTIFICATES OF MERIT

Sec. 213. The Secretary of Labor may provide for issuance of a United States Government Certificate of Merit to employers or labor unions, or other agencies which are or may hereafter be engaged in work under Government contracts, if the Secretary is satisfied that the personnel and employment practices of the employer, or that the personnel, training, apprenticeship, membership, grievance and representation, upgrading, and other practices and policies of the labor union or other agency conform to the purposes and provisions of this Order.

Sec. 214. Any Certificate of Merit may at any time be suspended or revoked by the Secretary of Labor if the holder thereof, in the judgment of the Secretary, has failed to comply with the provisions of this Order.

Sec. 215. The Secretary of Labor may provide for the exemption of any employer, labor union, or other agency from any reporting requirements imposed under or pursuant to this Order if such employer, labor union, or other agency has been awarded a Certificate of Merit which has not been suspended or revoked.

PART III—NONDISCRIMINATION PROVISIONS IN FEDERALLY ASSISTED CONSTRUCTION CONTRACTS

Sec. 301. Each executive department and agency which administers a program involving Federal financial assistance shall require as a condition for the approval of any grant, contract, loan, insurance, or guarantee thereunder, which may involve a construction contract, that the applicant for Federal assistance undertake and agree to incorporate, or cause to be incorporated, into all construction contracts paid for in whole or in part with funds obtained from the Federal Government or borrowed on the credit of the Federal Government pursuant to such grant, contract, loan, insurance, or guarantee, or undertaken pursuant to any Federal program involving such grant, contract, loan, insurance, or guarantee, the provisions prescribed for Government contracts by Section 202 of this Order or such modification thereof, preserving in substance the contractor's obligations thereunder, as may be approved by the Secretary of Labor, together with such additional provisions as the Secretary deems appropriate to establish and protect the interest of the United States in the enforcement of those obligations. Each such applicant shall also undertake and agree (1) to assist and cooperate actively with the administering department or agency and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with those contract provisions and with the rules, regulations, and relevant orders of the Secretary, (2) to obtain and to furnish to the administering department or agency and to the Secretary of Labor such information as they may require for the supervision of such compliance, (3) to carry out sanctions and penalties for violation of such obligations imposed upon contractors and subcontractors by the Secretary of Labor or the administering department or agency pursuant to Part II, Subpart D, of this Order, and (4) to refrain from entering into any contract subject to this Order, or extension or other modification of such a contract with a contractor debarred from Government contracts under Part II, Subpart D, of this Order.

SEC. 302. (a) "Construction contract" as used in this Order means any contract for the construction, rehabilitation, alteration, conversion, extension, or repair of buildings, highways, or other improvements to real property.

(b) The provisions of Part II of this Order shall apply to such construction contracts, and for purposes of such application the administering department or agency shall be considered the contracting agency referred to therein.

(c) The term "applicant" as used in this Order means an applicant for Federal assistance or, as determined by agency regulation, other program participant, with respect to whom an application for any grant, contract, loan, insurance, or guarantee is not finally acted upon prior to the effective date of this Part, and it includes such an applicant after he becomes a recipient of such Federal assistance.

SEC. 303. (a) Each administering department and agency shall be responsible for obtaining the compliance of such applicants with their undertakings under this Order. Each administering department and agency is directed to cooperate with the Secretary of Labor, and to furnish the Secretary such information and assistance as he may require in the performance of his functions under this Order.

(b) In the event an applicant fails and refuses to comply with his undertakings, the administering department or agency may take any or all of the following actions: (1) cancel, terminate, or suspend in whole or in part the agreement, contract, or other arrangement with such applicant with respect to which the failure and refusal occurred; (2) refrain from extending any further assistance to the applicant under the program with respect to which the failure or refusal occurred until satisfactory assurance of future compliance has been received from such applicant; and (3) refer the case to the Department of Justice for appropriate legal proceedings.

(c) Any action with respect to an applicant pursuant to Subsection (b) shall be taken in conformity with Section 602 of the Civil Rights Act of 1964 (and the regulations of the administering department or agency issued thereunder), to the extent applicable. In no case shall action be taken with respect to an applicant pursuant to Clause (1) or (2) of Subsection (b) without notice and opportunity for hearing before the administering department or agency.

Sec. 304. Any executive department or agency which imposes by rule, regulation, or order requirements of nondiscrimination in employment, other than requirements imposed pursuant to this Order, may delegate to the Secretary of Labor by agreement such responsibilities with respect to compliance standards, reports, and procedures as would tend to bring the administration of such requirements into conformity with the administration of requirements imposed under this Order: *Provided*, That actions to effect compliance by recipients of Federal financial assistance with requirements imposed pursuant to Title VI of the Civil Rights Act of 1964 shall be taken in conformity with the procedures and limitations prescribed in Section 602 thereof and the regulations of the administering department or agency issued thereunder.

Part IV—Miscellaneous

Sec. 401. The Secretary of Labor may delegate to any officer, agency, or employee in the Executive branch of the Government, any function or duty of the Secretary under Parts II and III of this Order, except authority to promulgate rules and regulations of a general nature.

Sec. 402. The Secretary of Labor shall provide administrative support for the execution of the program known as the "Plans for Progress."

Sec. 403. (a) Executive Orders Nos. 10590 (January 19, 1955), 10722 (August 5, 1957), 10925 (March 6, 1961), 11114 (June 22, 1963), and 11162 (July 28, 1964), are hereby superseded and the President's Committee on Equal Employment Opportunity established by Executive Order No. 10925 is hereby abolished. All records and property in the custody of the Committee shall be transferred to the Civil Service Commission and the Secretary of Labor, as appropriate.

(b) Nothing in this Order shall be deemed to relieve any person of any obligation assumed or imposed under or pursuant to any Executive Order superseded by this Order. All rules, regulations, orders, instructions, designations, and other directives issued by the President's Committee on Equal Employment Opportunity and those issued by the heads of various departments or agencies under or pursuant to any of the Executive orders superseded by this Order, shall, to the extent that they are not inconsistent with this Order, remain in full force and effect unless and until revoked or superseded by appropriate authority. References in such directives to provisions of the superseded orders shall be deemed to be references to the comparable provisions of this Order.

SEC. 404. The General Services Administration shall take appropriate action to revise the standard Government contract forms to accord with the provisions of this Order and of the rules and regulations of the Secretary of Labor.

SEC. 405. This Order shall become effective thirty days after the date of this Order.

LYNDON B. JOHNSON

THE WHITE HOUSE,
September 24, 1965.

Executive Order 11247

PROVIDING FOR THE COORDINATION BY THE ATTORNEY GENERAL OF ENFORCEMENT OF TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

WHEREAS the Departments and agencies of the Federal Government have adopted uniform and consistent regulations implementing Title VI of the Civil Rights Act of 1964 and, in cooperation with the President's Council on Equal Opportunity, have embarked on a coordinated program of enforcement of the provisions of that Title;

WHEREAS the issues hereafter arising in connection with coordination of the activities of the departments and agencies under that Title will be predominantly legal in character and in many cases will be related to judicial enforcement; and

WHEREAS the Attorney General is the chief law officer of the Federal Government and is charged with the duty of enforcing the laws of the United States:

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States by the Constitution and laws of the United States, it is ordered as follows:

SECTION 1. The Attorney General shall assist Federal departments and agencies to coordinate their programs and activities and adopt consistent and uniform policies, practices, and procedures with respect to the enforcement of Title VI of the Civil Rights Act of 1964. He may promulgate such rules and regulations as he shall deem necessary to carry out his functions under this Order.

SEC. 2. Each Federal department and agency shall cooperate with the Attorney General in the performance of his functions under this Order and shall furnish him such reports and information as he may request.

SEC. 3. Effective 30 days from the date of this Order, Executive Order No. 11197 of February 5, 1965, is revoked. Such records of the President's Council on Equal Opportunity as may pertain to the enforcement of Title VI of the Civil Rights Act of 1964 shall be transferred to the Attorney General.

Mr. **Timothy Elliott**. There may be a separate concession arrangement. There was to be a museum, yes, sir.

Mr. **Yates**. I want to find out whether there are similar concessions that were given to others. I assume Kodak isn't the only one who provided funds to the Foundation and received something in return.

COMPETITIVE BIDDING FOR CONCESSIONS

It sounds to me like an awful long time to have an exhibit. Plus the fact that I wonder, do you have to for such a concession, subject it to competitive bidding?

That is an interesting question, isn't it?

Mr. **Timothy Elliott**. Yes.

GENERAL ACCOUNTING OFFICE REPORT

Mr. **Yates**. I never saw so much headshaking.

All right. That is one of the things. I have the GAO looking at it.

GAO issued a report on it, apparently, and I am getting a copy of that report.

SURFACE MINING PROBLEMS IN VIRGINIA AND KENTUCKY

Do you have a problem that we should know about? I am sure you have lots of problems. You have a lot of problems in the Office of Surface Mining, haven't you?

What is happening in Kentucky? That is of special importance, isn't it?

Mr. **Cannon**. That is of special importance.

Mr. **Yates**. Virginia and Kentucky.

TWO-ACRE EXEMPTION

Mr. **Cannon**. There are two-acre exemption problems in both those states.

Mr. **Yates**. Will that require legislation to cancel that out?

Mr. **Cannon**. We talked about that last year, as I recall.

Mr. **Yates**. Will we talk about it next year or shall we have legislation?

Mr. **Cannon**. I don't think the department is going to be proposing legislation.

Mr. **Yates**. I am trying to get your opinion.

The department handles the legal part of it, but it is like trying to put your finger on mercury to quash it and it pops up all over the place.

Mr. **Cannon**. As the State of Kentucky begins to crack down on the abuse of the two-acre exemption in Kentucky, there is an increase in wildcatting.

The intense problem continues.

Mr. **Yates**. Well, whether or not we have the legislation, then it will happen.

It is kind of like revenuers and liquor in the old days, right?

Mr. **Cannon**. Yes; because you have the same kind of financial incentive on the part of these people to undercut the statute and their competition.

Mr. **Yates**. So, you are saying you are going to be busy for a while?

Mr. **Cannon**. I believe we will be busy, yes; for some time with that.

REDUCTION IN SURFACE MINING

Mr. **Yates**. I hear you are not as busy as either you should be or we thought you were going to be.

Surface Mining shows a loss of $716,000, you have an 18-percent reduction.

Do you think they are going to have that much less work in surface mining? I would have thought you would have more.

Mr. **Tarr**. I don't think that is the—I am not sure whether we have the same figures before us.

Mr. **Yates**. I am looking at a chart dated April 25, 1986, and I am looking at it. Do you have that before you?

Mr. **Tarr**. Yes, I do.

Mr. **Yates**. Surface Mining shows $2,788,000 for the pay restoration of plus six, and an off-set of plus $1,100,000.

You asked for the funds last year, and we gave them to you.

Now, for the next year you want the money taken out of it.

Mr. **Tarr**. I think this reflects more where we are than the budget request for this year, if I understand the chart correctly.

Mr. **Yates**. That is right.

ADDITIONAL RESOURCES FOR SURFACE MINING

Mr. **Tarr**. The last column is as of the end of the year; January of this year is the fourth to the last column; and the second to the last column is where we are now.

I have undertaken an intensive effort to look at the Division of Surface Mining. We have been having weekly meetings with the managers there with the idea of moving resources into there as quickly as they can be absorbed, and we are going to be doing efficient things with them. We are working with the Office of Surface Mining to get the cases to us as quickly as possible so we can utilize attorney resources to the fullest.

In the last column, we show increases in the Division of Surface Mining. I have authorized seven people to be hired in the Knoxville office, because we have identified a particular need there to catch up on some collections work.

We intend to devote whatever resources we need as the year goes on as soon as we can utilize those efficiently.

Mr. **Yates**. All right.

I see you want additional money for Energy and Resources. And also Conservation and Wildlife.

Mr. **Tarr**. Again, I believe that that chart is demonstrating where we are now as opposed to what we are projecting for 1987.

Mr. **Yates**. Oh, yes. That is where you have moved around money currently, 1986 money.

Mr. **Tarr**. The January 1986 column there, Mr. Chairman, is essentially what I found when I walked in the door, and the other columns are what we have done to——

Mr. **Yates**. Why would you—let's see if I understand this alteration here.

Does that minus $716,000 then represent a reprogramming?

Mr. **Tarr**. Well, that is an interesting question.

Mr. **Yates**. Yes.

Mr. **Tarr**. Yes. I was somewhat bothered by the numbers as I found them, and am in the process of determining how things should be changed. It wasn't as far as I understood it an intentional movement on anybody's part to reprogram resources, but rather where things ended up.

As you know, there was an Acting Solicitor for some period of time who, as you might expect, for an acting person, did not feel at liberty redeploying resources.

Mr. **Yates**. But they are being redeployed?

Mr. **Tarr**. I am not sure that that was done in any conscious fashion. I can't speak to that.

Mr. **Yates**. But somebody had to do it.

Mr. **Tarr**. That is true, but the Gramm-Rudman adjustment column shows that we did not put any adjustment into the Division of Surface Mining.

We allocated the adjustments downward in the other divisions in understanding of the importance of that division, and we have been moving resources into that work.

HIRING FOR SURFACE MINING

Mr. **Yates**. Are you having difficulty hiring for legal services for the Office of Surface Mining?

Mr. **Tarr**. I wouldn't say that we have encountered any difficulty in hiring.

Mr. **Yates**. The reason I asked the question was that in the 1986 budget, he had 50 aboard, and you asked for an additional 31.

Mr. **Tarr**. That is reflected in the third column of the chart here.

Mr. **Yates**. And we gave that to you, but you don't have that many on board.

Mr. **Tarr**. Not in the Division of Surface Mining.

Walking through the door and seeing the numbers and realizing that you have to take them from another division—I have tried to move people into that division as quickly as we can utilize them properly.

If you take the 65 FTE's and add to it a person in the Rocky Mountain region and five in the Southwest region, you come up with a number of about 71 projected for the year.

The other number would be the 50 plus the 31, would be 81. And, in part, that reflects a timing factor of when those people actually were put into that Division.

Mr. **Yates**. We will let you clarify that for the record as to what you found and where you think you ought to be moving there so that we can start off 1987 with some knowledge.

I think what the committee should have, though, if you are acting head of the solicitors, has given the committee an allocation of your resources—if that allocation is changed, as apparently it was, that the committee should be informed of that under reprogramming procedures, and apparently that wasn't done.

[The information follows:]

ALLOCATION OF SOLICITOR'S OFFICE RESOURCES

The distribution of resources for fiscal year 1986 shown in the Fiscal Year 1986 President's Budget represents the Office's best estimate of its resource needs as projected in January 1985. The distribution of resources for fiscal year 1986 as shown in the Fiscal Year 1987 President's Budget presented in February 1986 is a revised estimate reflecting a shift in legal workload and other revisions that occurred during the intervening period. For example, workload from the Office of Surface Mining is not being generated as quickly as originally projected. Fewer net worth determinations have been received to date than were anticipated and work in Oklahoma related to Section 733 of the Surface Mining Act has been reduced. The attached gives a detailed breakdown of these changes.

Since Mr. Tarr came on board as Solicitor, he has reviewed the workload and resource distribution in the Office and made adjustments to accommodate changes in the workload as shown in the last column of the Table. Recently he authorized hiring of seven additional staff in the Division of Surface Mining for performing surface mining work in Knoxville, as he has identified a need for performing collections work in that area.

The Solicitor is continuing to evaluate the situation and will provide additional sources for the surface mining work as appropriate in relation to actual workload requirements.

Analysis of Fiscal Year 1986 Budget
($000)
April 25, 1986

			Congressional Action								
		FY 1986 Pres. Budget	Pay Restoration 1/	OSM 2/ Offset	.65 Reduction	FY 1986 CR Lev.	Adjustments Reflected in FY 87 Pres.Bud.	FY 86 Column in FY 87 Pres. Est.	G-R-H Adjust.	Adj. Based on Current Projection of Obliga	Current FY86 Projection
General Administration	$	2,480	+522		-10	2,992	+ 54	3,046	-35	-41	2,970
	FTE	27				27	—	27		-1	26
Conservation and Wildlife	$	1,167	+3		-7	1,163	+147	1,310	-80		1,230
	FTE	23				23	+3	26			26
Energy and Resources	$	1,689	+4		-10	1,683	+447	2,130	-310	-46	1,774
	FTE	34				34	+8	42		-1	41
General Law	$	1,481	+4		-9	1,476	-51	1,425	-20		1,405
	FTE	30				30	-2	28			28
Indian Affairs	$	1,100	+3		-7	1,096	+174	1,270	-50	-43	1,177
	FTE	23				23	+2	25		-1	24
Surface Mining	$	2,798	+6	+1,100	-33	3,871	-716	3,155	—	+130	3,285
	FTE	50		+25		75	-13	62		+3	65
Audit and Investigation	$	110	-		-1	109	-9	100	-5		95
	FTE	3				3	-1	2			2
Alaska	$	339	+1		-3	337	+28	365	-30		335
	FTE	11				11	-1	10			10
Southeast	$	608	+2		-4	606	-91	515	-11		504
	FTE	13				13	-3	10			10
Northeast	$	405	+1		-2	404	+106	510	-20		490
	FTE	9				9	+1	10			10
Rocky Mountain	$	1,402	+3	+50	-9	1,446	+27	1,473	-50		1,423
	FTE	29		+1		30	-1	29			29
Pacific Northwest	$	1,116	+3		-7	1,112	+8	1,120	-45		1,075
	FTE	23				23	-1	22			22
Pacific Southwest	$	1,451	+4		-9	1,446	+77	1,523	-103		1,420
	FTE	30				30	—	30			30
Intermountain	$	332	+1		-2	331	-1	330	-60		270
	FTE	7				7	—	7			7
Southwest	$	1,671	+4	+250	-11	1,914	-144	1,770	-40		1,730
	FTE	31		+5		36	-1	35			35
Total	$	18,417	+561	+1,400	-122	20,256	—	20,256	-871	—	19,385
	FTE	343		+31	—	374	-9	363	—	—	363

1/ When the federal pay reduction originally proposed for fiscal year 1986 was restored, the amount restored to each activity (i.e., Legal Services and General Administration) was reversed. General Administration received $522,000 while Legal Services received only $39,000.

2/ Initially the $1.4 million was proposed to be funded in the Office of Surface Mining's budget; however, the Committees felt that the funding is more properly aligned in the Office of the Solicitor.

Mr. **Tarr**. My understanding, Mr. Chairman, is that what has happened is due to attrition. Given the budget situation, vacancies were not back filled immediately.

I think it was more by accident than by design, but I understand what the chairman is saying.

Mr. **Yates**. We are trying to make Mr. Cannon an empire builder but he won't do it.

I think that is the way of law firms today, isn't it?

Do you have enough people, Mr. Cannon, now?

Mr. **Cannon**. I believe that we can——

Mr. **Yates**. Last year, you said you needed 81. Now, you haven't got 81.

Mr. **Cannon**. I did say that last year.

Mr. **Yates**. Have you repented?

Mr. **Cannon**. I do think the President's budget is adequate this year.

Mr. **Yates**. Whether it is or not, it will have to be; is what you are saying?

Mr. **Cannon**. I think it is.

Mr. **Yates**. You do. OK.

You are going to work later hours, is that the way you are going to do it?

INITIATIVES IN SURFACE MINING

Mr. **Cannon**. I am trying to be more efficient, and we are doing a number of things that will make our efforts better focused.

Mr. **Yates**. The usual phrase that we hear is that we will be streamlining our procedures.

Mr. **Cannon**. Actually, there is a difference here, because in fact, we are not cutting things out. We are doing new initiative kinds of things which, I think, will help us focus more; obtaining of net worth determinations, a focus on that sort of thing.

Mr. **Tarr**. There are some of those functions you could do with attorney personnel, but that is not an efficient way to do it, I am reluctant at this point to immediately put more attorneys in there to do things like net worth determinations that are now being contracted out by OSM.

Mr. **Yates**. We want to make sure that the work is being done in OSM, because we have an idea that it has been dragging behind, and we don't want that work to suffer as a result.

If you and Mr. Cannon think that you should have more funds for the purpose, tell us.

We may not agree, but we have a job to fund you.

Mr. **Tarr**. I don't think that is the case at the moment, Mr. Chairman. I can express my personal commitment to trying to deal with that situation there.

INSPECTORS IN OFFICE OF SURFACE MINING

Mr. **Yates**. Would your work be helped or hurt if there were additional inspectors on the OSM payroll, Mr. Cannon?

Mr. **Cannon**. Are you talking about the inspectors for the Office of Surface Mining or in our process of—

Mr. **Yates**. Both.

Mr. **Cannon**. I think at present OSM is in the process of adding inspectors, both in Kentucky——

Mr. **Yates**. That is right. We have been hammering them over the head for years to do it, but they have chosen to hire them for the Office of Congressional Liaison.

Mr. **Cannon**. I have heard recently they have hired a group of 12 people or something like that and also for the support group that does reclamation estimates and that sort of thing for us.

NET WORTH DETERMINATIONS

At present we don't have—our backlog is getting net worth determinations.

Mr. **Yates**. How big a backlog do you have?

Mr. **Cannon**. The net worth determinations, we have about 3,500 cases all together, cases for AML, for civil penalties, and the alternative enforcement cases.

We have had about 700, just under 700 net worth determinations. We think we need, because there is some overlap in people from whom we are collecting money and against whom we have other proceedings, 2,000 or 3,000 net worth determinations.

It would be necessary to prosecute those cases, so we will need about 2,000 to 3,000 more.

BACKLOGS IN SOLICITOR'S OFFICE

Mr. **Yates**. How big are your backlogs in departments other than Mr. Cannon's?

He has a backlog of cases. Do you have backlog of cases in other departments, as well?

Mr. **Tarr**. Not that I am aware of. I am not sure that we have a backlog; the question of backlog is something we are trying to put our finger on at the moment.

Mr. **Yates**. I feel if you have a backlog that means your work is lagging behind. If you have too large a backlog, don't you tend to get smothered by it?

Mr. **Tarr**. That is not the situation we have in our office or in surface mining at the moment.

SIERRA CLUB CHALLENGE TO MINING

Mr. **Yates**. The Sierra Club successfully challenged the lack of environmental consideration by the National Park Service to mining activity.

In your judgment, is the Fish and Wildlife Service vulnerable to the same charge?

I don't know that I should ask you that question, because if you say yes, you probably would have a lawsuit on your hands.

Mr. **Tarr**. I would be reluctant to answer such a question.

Mr. **Yates**. Yes, I would think so.

MIGRATORY BIRDS IN NON-REFUGE WATERS

Does the Fish and Wildlife Service have responsibility to monitor non-refuge waters used by migratory birds, or is your responsibility limited only to Fish and Wildlife Service refuges?

I am thinking about the Grasslands surrounding Kesterson, for example.

That isn't technically on the refuge. Is that part of your bailiwick, would you think?

Mr. TARR. I would trust that—I really don't know the answer to that. That is somewhat of a program question as to the extent——

Ms. NORTON. In some of those cases there may be Fish and Wildlife Service easements covering the area. We would be happy to look into that for you.

Mr. YATES. You will let us know. You are going to look into that?

Ms. NORTON. Yes.

Mr. YATES. We would like to know about it.

[The information follows:]

MIGRATORY WATERFOWL

The Fish and Wildlife Service (FWS) has the authority to monitor migratory birds on and off refuges in order to fulfill the United States' treaty obligations as implemented by the Migratory Bird Treaty Act (MBTA), 16 U.S.C. §§ 703, et seq. The treaty obligations are implemented in the MBTA principally through enforcement mechanisms which the FWS carries out. Thus, if violations of the MBTA are noted by FWS either on or off refuge lands, the Fish and Wildlife Service can institute appropriate enforcement actions. While FWS has the authority to monitor activities harmful to migratory waterfowl, it should be noted that responsibility rests in the Environmental Protection Agency to monitor non-refuge water quality per se.

U.S. VERSUS DION

Mr. YATES. What is the status of the case of the U.S. versus DION?

Mr. TARR. That has been argued in the Supreme Court and it is under submission before the court. We are awaiting a decision.

Mr. YATES. Who represented the Indians in that case?

Mr. TARR. There was private counsel, as I recall.

Mr. VOLLMANN. It is a criminal defense case. I don't know if they had public defenders or retain their own attorneys.

Many Indian tribes filed amicus briefs with the Supreme Court.

Mr. YATES. Was there representation by the Fish and Wildlife Service?

Mr. VOLLMANN. By the U.S.

Mr. YATES. Was there a brief filed on the behalf of the Fish and Wildlife Service?

Mr. VOLLMANN. No, there was no independent representation.

AUTHORITY TO BAN LEAD SHOT

Mr. YATES. Does the Fish and Wildlife Service have any authority now to ban the use of lead shot?

Ms. NORTON. The Fish and Wildlife Service is currently in the process of a rulemaking on the extent of the Fish and Wildlife Service authorization of the use of lead shot.

CASES ON RESERVED WATER RIGHTS

Mr. YATES. How many cases do you have on the question of reserved water rights in Colorado, Wyoming, and Montana?

Do you know off-hand? Do you have a lot of them?

Ms. **Norton**. I believe there are 46 National Park Service cases nationwide and many more involving refuges.

Mr. **Yates**. What position do you take on that? You try to protect the Federal Government's position in that?

Ms. **Norton**. We believe that the Government has certain reserved water rights, and we do attempt to protect those rights.

BUREAU OF LAND MANAGEMENT RESERVED WATER RIGHTS

Mr. **Yates**. Do you do that in the case of BLM as well as the National Parks?

Mr. **Tarr**. That would be the Division of Energy and Resources.

Mr. **Yates**. Because I have the impression that BLM doesn't want you to protect it.

Mr. **William Elliott**. No, sir. If they have reserved rights, we protect those.

Mr. **Yates**. Don't they give away the rights to the licensees?

Mr. **William Elliott**. It is possible. In some areas where they have a wildlife habitat or something of that nature, they would have reserved rights for the water.

LAND ACQUISITION CASES

Mr. **Yates**. Do you have many land acquisition cases which you have to be concerned with?

Mr. **Tarr**. We have a number of condemnation cases that are going primarily with the Park Service; the Justice Department, of course, is handling those.

AIR QUALITY FOR CLASS I PARKS

Mr. **Yates**. Do you have any responsibility in connection with the Park Service's efforts to monitor air quality for parks designated as Class I?

Mr. **Tarr**. We have provided over time legal advice through the Division of Conservation and Wildlife to the Park Service on that issue.

LITIGATION INVOLVING WOLF TRAP

Mr. **Yates**. What is the status—are you in litigation involving Wolf Trap Park?

Mr. **Tarr**. We are not, as I understand it, in that litigation.

That is a lawsuit, at the moment, by the various architects and builders, all claiming responsibility belongs to someone else.

But as I recall——

Mr. **Yates**. Who represents Wolf Trap or the Park Service?

Mr. **Tarr**. The Government is not in that lawsuit at the moment. It is a cross challenge with all blaming each other in the construction and design.

Mr. **Yates**. I thought it was a suit brought by the Federal Government, but it is not. It is just by the architect and engineer and subcontractor?

Mr. **Tarr**. Yes.

Mr. TIMOTHY ELLIOTT. That is partially correct. The Foundation is the plaintiff, but it is basically private.

MILWAUKEE RAILROAD RIGHT-OF-WAY

Mr. YATES. You have activity on behalf of BLM for the Milwaukee Railroad right-of-way.

Where in the case of the Edward's Development Company? The BLM for the Milwaukee Railroad right-of-way?

Mr. WILLIAM ELLIOTT. I don't understand the question.

Mr. YATES. Your justification on page 38 says "the Office requested the Department of Justice to institute litigation to recover certain portions of the right-of-way across public lands in Montana abandoned by the Chicago-Milwaukee-St. Paul and Pacific Railroad Company.

"In some instances, the railroad had purported to convey the abandoned rights-of-way to third parties. The Office provided legal advice in connection with BLM's efforts to obtain reconveyances; several were obtained."

Mr. TARR. That probably would have been handled by the regional office.

Mr. WILLIAM ELLIOTT. I think it is handled in part by the regional office. I know the statement that is in here, but I don't know what the question is.

Mr. YATES. The question is, were you in that lawsuit?

Mr. WILLIAM ELLIOTT. We were involved in this——

Mr. YATES. You were giving opinions; you weren't in the lawsuit itself?

Mr. WILLIAM ELLIOTT. No, we weren't.

NATIONAL WILDLIFE FEDERATION CHALLENGE TO WITHDRAWAL REVOCATIONS

Mr. YATES. What is the status of National Wildlife Federation versus Burford challenging the validity of withdrawal and classification revocations?

Mr. TARR. The preliminary injunction is on appeal at the moment.

There is a status conference next month, so the case is proceeding in the trial court, as well, but there is an injunction in force against the government at the present time.

WESTLANDS LEGAL PROBLEMS

Mr. YATES. Are you in on the legal problems ancillary to the Westlands water district or is that Department of Justice?

Mr. TARR. No, we are involved in that. That is a Bureau of Reclamation project.

KESTERSON CLEAN-UP

Mr. YATES. To what extent is the Kesterson clean-up associated with the western settlement?

Mr. TARR. I don't think that it is at all.

Mr. YATES. It is something separate?

Mr. TARR. From what I understand about the two, they are quite separate. The Kesterson clean-up is proceeding pursuant to the agreement made in April of last year, and I am not aware of anything in the proposed settlement documents that would affect that.

Mr. YATES. Is there any indication yet as to who would pay for the clean-up?

Mr. TARR. Pay for the clean-up?

Mr. YATES. Yes.

Mr. TARR. I don't know that that is a resolved issue at this point in time.

Mr. YATES. You haven't been associated with that in any way, have you, privately?

Mr. TARR. Not privately, no, sir.

HUSKY CONTRACT

Mr. YATES. Have all claims surrounding the Husky contract relating to the National Petroleum Reserve in Alaska been resolved?

Mr. TIMOTHY ELLIOTT. Mr. Chairman, all of the claims have been resolved in our settlement with the exception of the tax claim by the State of Alaska.

We withheld from that settlement agreement a tax claim that is still open by the State.

DECREASE IN AVERAGE GRADE

Mr. YATES. The Office of the Solicitor's staff average grade is projected to decrease from 11.08 in fiscal year 1985 to 10.7.

How do you plan to make this reduction in the grade structure? Are you decreasing personnel compensation as a result of that?

Mr. TARR. I don't believe so.

I think that may be a projection of one particular employee——

Mr. WILES. As part of the reduction program implemented last year, and this year, as higher senior grade attorneys leave, we are filling their positions with lower grade attorneys.

Mr. YATES. So there would be a decrease in personnel compensation, then, if you are filling in lower grades?

Mr. WILES. Yes, sir.

Mr. YATES. What do you hire incoming lawyers for?

Mr. TARR. Generally, grade 11.

Mr. YATES. What does that pay?

Mr. TARR. It is about 32 or 33.

Mr. YATES. Can you get them for that?

Mr. TARR. Yes.

Mr. YATES. I see the New York law firms are up to $65,000.

Mr. TARR. You find attorneys who are dedicated to public service.

Mr. YATES. GS-11 shows an opening pay level of $26,300, and they are going up to $34,000 after ten years.

Mr. TARR. It takes longer than that to go through to ten steps, but we do promote our attorneys after a period of time to the higher grades.

CONSULTING SERVICES

Mr. **Yates**. You want to have available $20,000 for consulting service. Can you give me an example of how you use consulting services?

Mr. **Wiles**. We have $20,000 requested in the budget.

We also had $20,000 requested last year, Mr. Chairman.

Mr. **Yates**. That is why I asked the question, can you give us an example of why this should be in the budget? Who would you consult with?

Mr. **Wiles**. I believe that an example would be a special project in which we needed consultants to do things like, work under the CERCLA project. If we needed a consultant to come in on air quality——

EXPERT WITNESSES

Mr. **Yates**. You mean an expert witness or something?

Mr. **Wiles**. Expert advice, expert testimony, scientific in nature.

Mr. **Yates**. I would have thought you would want more money than that for that purpose, because many of your cases are technical cases.

Mr. **Wiles**. If ever used, it would be in terms of a short duration in terms of a consultant on advice on one item for a two-week duration or a month.

Mr. **Yates**. How do you pay for expert advice?

If you are into a water rights case, you are going to need very professional and very efficient testimony.

How do you pay for it?

Mr. **Tarr**. I understand that that is largely funded by the bureaus involved.

Mr. **Yates**. Why do you need the $20,000, then? You don't hire outside counsel for that, do you, as a consultant?

Mr. **Tarr**. Not on a regular basis.

Mr. **Yates**. But this is consulting services in the event it is necessary to obtain expert advice at short notice.

That is why I am at a loss as to what kind of a case that would be.

Mr. **Cannon**. I think that in Fiscal Year 1984 we paid a Pennsylvania law firm for some title work on a closing on some property that we purchased for OSM, and that may have come out of it.

That was $5,000 or something like that.

FUNDING FOR EXPERT WITNESSES

Mr. **Yates**. Do you find you have enough money in the budget for expert witnesses in cases such as water rights cases?

Mr. **Tarr**. I am not aware that we have had any difficulty with that.

Mr. **William Elliott**. Expert witnesses are usually paid by the Justice Department. As a general rule, we don't have to worry about it, because the Justice Department has the money.

Mr. **Tarr**. Our difficulty, I believe, Mr. Chairman, with the consulting item that is in our budget is, if we don't have authority to do it when the need does arise, that amount of money wouldn't be there on an ongoing basis.

But if we don't have funds for those extraordinary situations, we are unable to deal with the problem.

SHOSHONE AND ARAPAHO PETITION

Mr. YATES. Let's talk about the Indian affairs now, the Shoshone and Arapaho tribes of the Wind River Reservation have protested Assistant Secretary Swimmer's action in January 1986 dismissing both the tribes' petition for cancellation of leasing with Sohio and Amoco, and the companies' litigation to enjoin the cancellation.

He said that he took the action based on your advice.

Mr. TARR. If I could explain what happened in that situation, we were sued. The tribes filed an administrative proceeding.

CHALLENGE TO REGULARITY OF ADMINISTRATIVE PROCEEDINGS

We were then sued by the company in District Court challenging the regularity of the administrative proceedings, and the judge was forcing the matter to trial by December 31st of last year if there wasn't a settlement that was entered into.

At the time, those parties were actively engaged in settlement and that effort to facilitate that settlement and negate the necessity for procedural litigation, in essence, not the litigation on the core issue that the tribes were raising, but on the procedures that were involved.

We agreed to dismiss the tribes' petition without prejudice and thereby, then, the company dismissed without prejudice its proceeding.

We were unhappy to hear that shortly thereafter, apparently the company withdrew its settlement offer.

Mr. YATES. Was that a breach of agreement with you by the company?

Mr. TARR. I don't believe so. We are not aware that it was.

There is no indication that the company is acting in bad faith with regard to settlement.

Mr. YATES. Ordinarily, you don't dismiss a lawsuit until you have reached your settlement agreement, do you?

Mr. TARR. You dismiss it with prejudice in that situation.

Mr. YATES. Now, you are back at square one, and the Indian people have to start over again after four years of work.

Mr. TARR. I was convinced that we were not prejudiced, that the tribes were not prejudiced in what we did in this situation.

It did give an opportunity for settlement and now the tribes can re-file the administrative proceeding free of the allegation of procedural irregularity.

And so, instead of litigating for some time over procedural questions, there is the ability to frame the issues of the substantive matters directly and have those decided if the tribe is prepared or wants to do that.

We have not had any indication that the tribes are at this point about to re-file their administrative proceedings.

Mr. VOLLMANN. We have not heard from the tribes.

The problem in the administrative litigation that was dismissed is we never got beyond square one, because Amoco sued to enjoin the proceedings as soon as we appointed an administrative law judge.

Amoco and the tribes independently began to talk settlement, and that went on three years, ultimately without success.

But the discussions were ongoing in December when the U.S. District judge lost patience and said, "I am going to set this for trial," and it didn't go to the merits of the tribe's petition.

The tribes were not even parties to the litigation.

It went to the regularity of the procedures and no one wanted to go to trial, and we didn't think it in the tribes' interest to go to trial.

So, without prejudice to anyone we cleared the books. The tribes have lost nothing. They could re-file their administrative cancellation petition tomorrow.

CONTRACTING STUDIES FOR WATER RIGHTS

Mr. Yates. The Solicitor's Office, as I understand it, has taken the position that tribes cannot contract to carry out studies that are required for use in negotiation or litigation of water rights or that might some day be used in such negotiations or litigation.

Is that correct?

Mr. Tarr. I think that is, essentially, a correct statement.

Mr. Yates. Why can they not do that?

EXPERT ADVICE FOR WATER RIGHTS CASES

Mr. Tarr. Generally, the situation is that the U.S. has a trust responsibility to assert those water right claims on behalf of the Indians.

It is very important that in having that responsibility it also have the ability to get timely and sufficient expert advice.

We have had some difficulty as I understand it, in the past in trying to coordinate with the tribes when a contract has gone to them, as opposed to us going out and getting the experts.

As you know, it is very important to be able to back up your offer of proof with good solid expert evidence, and that is what the question goes to.

It is a question of being able to control litigation to do our duty and trust responsibility.

Mr. Yates. In other words, you feel that you can do a better job of obtaining the expert testimony you need than the tribes could do themselves in contracting for it.

Is that the essence of your argument?

MC CARRAN AMENDMENT

Mr. Vollmann. Not really.

The problem is the nature of the McCarran Amendment which authorizes the naming of the U.S. as a party defendant to these proceedings.

And the Supreme Court has interpreted that law as requiring the U.S. to assert Indian reserved water rights even though the tribes themselves may not be party to the adjudication.

The McCarran Amendment waives the sovereign immunity of the United States. But the Supreme Court has made it clear that the tribes' water rights are on the line.

It is the United States that is the party most times. We have to assert these claims, because it is our trust responsibility, and we need, and the Justice Department needs, control over our expert witnesses to conform to our offer of proof.

As a practical matter, we work closely with the tribes and their attorneys. We usually, I would hope, agree on the choice of experts to assert the claims, and I have not found that it is a serious practical problem, but a few tribes have chafed under our opinion that my division issued two years ago.

I recently sent a letter to Congressman Udall explaining our opinion and addressing some of the issues raised by the staff, and we would be happy to provide that, if you like.

[The information follows:]

LETTER TO UDALL

United States Department of the Interior

OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

In reply, please address to:
Main Interior, Room 6456

BIA.IA.0095

APR 17 1986

Honorable Morris K. Udall, Chairman
Committee on Interior and Insular Affairs
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Udall:

On June 26, 1985, you wrote to Secretary Hodel regarding the development of water resource data for Indian tribes. Because you requested reconsideration of our May 31, 1984, opinion, this office was asked to respond to your letter. I apologize for the delay in our response.

As promised in the July 5, 1985, acknowledgment of your letter, we have reviewed the analysis prepared by your staff of our May 31, 1984, opinion and the corresponding BIA policy on this issue. The status of the water resources evaluations that are being conducted for the Chippewa-Cree Tribe of the Rocky Boy's Reservation and the Confederated Salish and Kootenai Tribes of the Flathead Reservation in Montana have also been reviewed.

The Billings Area Office of the Bureau of Indian Affairs (BIA) has advised us that a satisfactory arrangement has been reached with tribal representatives for the continued funding of studies for the Flathead Reservation in a manner consistent with the May 31, 1984, opinion. The Billings Area Director has likewise reached an agreement with the Chairman and Tribal Council of the Chippewa-Cree Tribe of the Rocky Boy's Reservation. However, we appreciate this opportunity to address the analysis in the June 21, 1985, memorandum prepared by the Committee staff because of your concern about the potential impacts of that opinion on the continued success which the Department and the Congress have shared in settling Indian reserved water rights claims and because of the language in the House Committee Report on the 1986 appropriation bill that the Committee does not agree with BIA policy on this issue. H.R. Rep. No. 205, 99th Cong., 1st Sess. 44 (1985).

The Committee staff's analysis finds the May 31, 1984, opinion generally accurate in its legal analysis, with the following exceptions. It perceives two "flaws" in the basic rationale; asserts that the rationale should apply only to litigation, not to negotiation, of Indian reserved water rights claims; and alleges that the opinion, even to the extent it is correct, is being misapplied by the BIA in the field.

In the first of its two objections to the basic rationale of the opinion, the analysis states that the opinion takes the position that "the Secretary is barred from contracting with the tribes for the performance of a 'trust function' even though he may contract with any other non-Federal entity." The analysis asserts that if BIA can contract with anyone, it can contract with a tribe, assuming the tribe can adequately perform the contract. This characterization of the opinion's position, however, fails to recognize the difference between BIA's contracts with other non-federal entities and contracts with tribes in this situation pursuant to section 102 of P.L. 93-638, 25 U.S.C. §450f. Although the federal government is contracting for the performance of tasks necessary to fulfill its trust responsibilities in both situations, the tasks being contracted are different. BIA contracts with non-tribal entities for the technical expertise to collect and develop evidence. With tribes under P.L. 93-638, BIA contracts its responsibility to select an expert and to supervise and direct the collection of evidence by that expert. The tribe steps into the shoes of the federal government, in effect contracting for the procurement and administrative functions of the BIA, as contemplated by P.L. 93-638. It is these procurement and administrative functions of BIA and not the actual collection and development of evidence which the Secretary is barred from contracting, for the reasons discussed below.

Your staff's other objection to the basic rationale of the opinion is that declining to enter into such contracts with tribes pursuant to section 102 of P.L. 93-638 should be done on a case-by-case basis and not as a general policy. BIA's policy, however, is based on the determination that BIA should never enter into P.L. 93-638 contracts with tribes to perform the BIA's administrative function of negotiating, awarding and monitoring contracts for the collection and development of evidence in the context of the quantification of Indian water rights because such evidence collection must be directly supervised and controlled by the United States.

Where the United States has been properly joined in an adjudication of water rights, Indian reserved water rights may be quantified even in the absence of the Indian tribe because judgment against the United States as trustee is binding on the tribe. Arizona v. San Carlos Apache Tribe of Arizona, 463 U.S. 545 (1983); Nevada v. United States, 463 U.S. 110 (1983); Arizona v. California, 460 U.S. 605 (1983). Thus the United States has a trust responsibility to protect Indian reserved water rights in a quantification proceeding. That trust responsibility cannot be delegated to the Indian tribe. As trustee, the United States has a duty to exercise independent judgment, Cheyenne-Arapahoe Tribes of Indians of Oklahoma v. United States, 512 F.2d 1390, 1396 (Ct.Cl. 1975), and may ultimately be liable for failure to protect Indian trust resources. United States v. Mitchell, 463 U.S. 206, 226 (1983); Nevada v. United States, 463 U.S. at 144 n.16, 145 (Brennan, J., concurring).

The federal trust responsibility to protect Indian reserved water rights includes responsibility for the presentation and defense of Indian water rights claims. See United States v. White Mountain Apache Tribe, No. 85-1719 (9th Cir., decided March 7, 1986), slip opin. at 7. For the United States to be successful in meeting that responsibility, it must ensure that the BIA, this office and the Department of Justice work closely together in a timely and efficient manner. These three offices together direct all aspects of the United States' case, from general case strategy and legal analyses to witness preparation and determination of relevant evidence. Part of the federal obligation is to ensure that the evidence supports and conforms to the claims presented. Lack of direct control of the selection of experts and supervision of the collection of evidence by those experts means that the United States cannot adequately perform this trust responsibility. Since section 106(f) of P.L. 93-638 expressly prohibits the Secretary from making "any contract which would impair his ability to discharge his trust responsibilities," the Department may not enter into P.L. 93-638 contracts with tribes to perform the procurement and administrative functions of directing and supervising the collection and development of evidence.

Although concurring in much of the opinion's legal analysis with respect to litigation, your staff suggests that our rationale should not be applied to negotiation of Indian reserved water rights. On this issue, let us assure you that the Department does not take the position, as a matter of law or policy, that the Secretary may "unilaterally engage in and compromise or settle the general water rights resources or rights of an Indian tribe." Indeed, the Department has consistently taken the position that it will participate in reserved water rights negotiations only if they are undertaken at the initiative of the affected Indian tribe and non-federal water users.

Negotiated settlements of Indian reserved water rights claims, however, require the participation and approval of the federal government as well as the tribe. The United States has a non-delegable trust responsibility to protect Indian reserved water rights in a quantification proceeding regardless of whether they are resolved by litigation or negotiation.

Moreover, negotiation and litigation of these issues are closely intertwined, particularly in the litigious atmosphere pervading the West today. There are currently over 50 pending general stream adjudications in which Indian water rights are being quantified. Virtually all negotiation of Indian water rights is occurring in the context of either pending or threatened litigation, as, for example, was true of the two negotiated settlements which were enacted for the Ak-Chin and Papago Tribes. Where litigation is pending, settlement negotiations are clearly an integral part of the litigation effort. But any failure of negotiations in today's context means that the federal government will be plunged almost immediately into litigation of tribal water rights. Thus studies now being prepared for negotiations are also being prepared in anticipation of litigation and will be used for litigation if negotiations fail.

In asserting that this opinion is being misinterpreted and misapplied by the BIA in the field, your staff quotes from a memorandum from the BIA Billings Area Director to the Agency Superintendents in his Area, that "[i]n general, all water data and information that is developed and might be used in adjudication will be under Federal contract."

We agree that, taken out of context, this statement on its face is too broad. Clearly, water data and information developed for purposes of management and development of the reservation outside the context of litigation or negotiation of the tribe's water rights can continue to be contracted to the tribe, assuming the requirements of the P.L. 93-638 regulations and statute have otherwise been met. However, the Billings Area Director's statement must be read in the context in which it was written. Every Indian tribe within the Billings Area is currently subject to a pending general stream adjudication or is negotiating the quantification of its reserved water rights, with the exception of the Assiniboine and Sioux Tribes of the Fort Peck Reservation, which have recently completed a negotiated settlement. Since our preparation for negotiation and/or litigation is not yet complete on any other reservation in that Area, it is highly unlikely that any water study suitable for litigation purposes which is being done or contemplated at this time will be unrelated to our preparation for the pending negotiations and litigation.

Nevertheless, to the extent that there may be any misunderstanding by any field staff concerning the intent of the May 31, 1984, opinion and the corresponding BIA policy, field staff will be provided with direction on the specific application of the opinion and policy to their water rights efforts.

We would also like to point out that the opinion was not "driven by the budget" in any sense. The reference in the opinion to budgetary considerations was intended merely to point out that because of the extremely high cost of quantification preparation, it is unrealistic to think BIA could fund duplicate sets of all studies needed, one set supervised by government attorneys and another set supervised by the tribe. The opinion was driven by our view of the government's trust responsibility in the area of Indian water rights.

With regard to the utilization of funds, the BIA has informed us that it is unaware of any deliberate attempts to divert funds from one activity to another. As you know, the Water Resources activity is based on the 1980 ten-year plan for water policy implementation. Under that plan, initial efforts to obtain the information needed for negotiated water claims settlements are concentrated where litigation is under way or imminent. The plan also states that the data collected and developed may be utilized for litigation as well as negotiations. BIA has advised us that its staff has normally followed the distinction in funding from the Water Resources and the Litigation Support accounts, but has also been well aware of the above-mentioned language that provides some flexibility.

With the explosive growth of litigation and negotiation-related efforts regarding Indian water rights, the BIA has found that the distinction between the accounts is often a difference that is difficult to define precisely because activities may go from one category to the other, or in fact be involved in both at the same time. For example, for the Zuni River Basin in New Mexico, litigation is pending but a stay was recently issued by the court to permit studies to be done to be used to attempt to negotiate a settlement. In the 1985 supplemental and 1986 budget processes, BIA indicated that if funds were made available for Zuni, they could be appropriated in Litigation Support, since a case is pending, or they could be put in Water Resources since the intent is to prepare for negotiation. We think it is significant that in the FY 1985 Supplemental Appropriations Conference Report, there is provided ". . . a total of $1,350,000 . . . for high priority water studies for support of negotiation or litigation." (Emphasis added.)

Because negotiation and litigation in today's context are so closely related and often intermixed, the BIA, in its FY 1987 budget submission, has proposed combining some of the water resources and litigation support funds in a line item entitled "Water Rights-Negotiation/Litigation." BIA hopes this will eliminate some of the confusion and provide for more effective use of the funds.

Although there is nothing in the BIA budget justifications, the ten-year plan, or the appropriation acts which requires the United States to contract directly with Indian tribes to collect the data contemplated under the water policy implementation efforts, a key element of BIA's policy is direct involvement of the tribe throughout the water claims preparation process. This involvement includes tribal review of contract proposals and of the scope of the studies proposed as well as assistance in contractor selection. It is also BIA policy to encourage tribes to work with BIA and the government attorneys during the performance of the studies. This allows the tribes to review the work as it is being conducted under the contract and to suggest modifications of the studies as it feels necessary. Moreover, the information and data which is collected in the preparation of a tribal water claims package is made available to the tribe so the tribe may make informed decisions about its water rights claims. Nothing in the opinion or the corresponding BIA policy was intended to discourage the informed participation of tribes in the development and presentation of their water rights claims in negotiation or litigation. On the contrary, I have encouraged my staff and Justice Department attorneys to coordinate closely with Indian tribes and their attorneys. This is essential to adequate case preparation.

If you have any further questions, I will be happy to meet with you or your staff to discuss these important issues at any time.

Sincerely,

Tim Vollmann
Associate Solicitor
Division of Indian Affairs

Mr. YATES. Does this opinion apply only to water resources disputes?

Mr. VOLLMANN. It applies to McCarran Amendment proceedings.

Mr. YATES. Does the McCarran Amendment put you under a disability?

Mr. VOLLMANN. I am not sure I know what you mean by "disability".

Mr. YATES. I am not sure I know what I mean, either, except I have an idea that when the U.S. has to go into these cases as a defendant, it isn't the best position to be in.

Mr. VOLLMANN. The adjudications are thoroughly complex, if not awkward proceedings, and I don't know that there is an ideal way of handling them.

The U.S. Solicitor General's Office in the Department of Justice twice in the Supreme Court asserted that the McCarran Amendment did not force the resolution of Indian reserved water rights in State courts. And the Supreme Court said, "You are wrong; it does."

The Ninth Circuit recently admonished a tribal attorney, saying, the law is clear whether you like it or not. We have to be in State court and get down to business to deal with an assertion of the Indian rights and to prove the best claim and that is the responsibility of the U.S.

WATER STUDIES UNRELATED TO LITIGATION

Mr. YATES. If we continue to fund such studies under the national resources activity, would tribes be able to contract for such services?

Mr. VOLLMANN. If water studies are unrelated to litigation, my understanding is the Bureau of Indian Affairs has allowed them to be let by Public Law 93-638 contracts unrelated to litigation or anticipated litigation.

Mr. YATES. Okay.

COMPACT OF FREE ASSOCIATION

Mr. Udall's committee takes the position a version of the Compact of Free Association requires, not just authorizes, funding for several specific activities not included in the original compact; for example, the continuation of rural health care for 170 people of Rongelap and Utrek.

Is that correct?

Mr. TARR. Let me ask Tim Elliott—

Mr. YATES. There are a number of them. Agricultural and supplemental food programs for the people of Enewetak and Bikini, establishment of the Enjebi trust fund, prior service benefits program.

Mr. TIMOTHY ELLIOTT. We are looking at the compact and law. We would like to supply for each of those an answer for the record.

[The information follows:]

FINANCIAL ASSISTANCE REQUIRED UNDER THE COMPACT

A Solicitor's Opinion is being prepared on the question whether provisions of the Compact of Free Association Act pertaining to financial assistance from the United

States require—or merely authorizes—such assistance. The opinion will provide legal advice with respect to the four programs specified in the question, as well as with respect to financial assistance provided in the Compact Act other than in the original Compact. A copy of the opinion will be provided to the Committee at the earliest possible point.

NAVAJO-HOPI RELOCATION DEADLINE

Mr. YATES. Let's talk about the Navajo-Hopi Relocation Commission, and you are aware, I take it, of the July 6 deadline.

Now that you are aware of it, what can you do about it?

I have been asking that question of BIA and the Commission when they appeared here.

We, the committee, have been given notice that there may be violence out there.

Is there anything that you do about that?

Mr. TARR. Of course, if we are faced with a lawsuit or some civil disorder, we have to take steps.

We certainly will be assisting the Assistant Secretary on that question.

Mr. YATES. Your justification says that you are working with BIA to get a legislative extension.

What are you doing about that?

Mr. VOLLMANN. I believe that justification relates to the work that went on with your committee and with the Senate last fall in conference, at which time the appropriations act was written to provide that not this act nor any other act could be the source of funding to evict any Navajos from the Hopi partitioned lands until there are facilities available for their relocation.

In the event there was any question about whether they were at risk after July 6—I believe you have a copy of something that we sent up to you last Tuesday with Mr. Swimmer that explains why we don't think July 6 is, if it ever was, any longer a date that would give rise to the kinds of concerns and threats of violence that have come up in the press.

Mr. YATES. We have a copy of your opinion. That may go into the record at this point.

[The information follows:]

EFFECT OF DEADLINE ON NAVAJOS

Question. What is the effect of the July 6, 1986, deadline on Navajos residing on the Hopi Partitioned lands and awaiting relocation?

Answer. In my opinion, the passage of that date will not affect the Navajos' rights to remain on the Hopi partitioned lands until the Government provides them with replacement housing off those lands. This is consistent with the most recent pronouncement by Congress in Public Law 99-190.

The exclusive origin of the July 6, 1986, deadline is section 14(a) of the Navajo-Hopi Settlement Act of 1974, which states in pertinent part: "The relocation shall take place in accordance with the relocation plan and shall be completed by the end of five years from the date on which the relocation plan takes effect." 25 U.S.C. § 640d-13(a). Pursuant to section 13(c)(5) of the Act, 25 U.S.C. § 640d-12(c)(5), the Relocation Commission's plan took effect on July 6, 1981, 90 days after its submission to Congress on April 6, 1981.

The above provision evidences an intent on the part of Congress to conclude relocation within a 5-year time frame. It did not address the legal status of Navajo occupancy on Hopi lands.

By 1985, however, it became apparent that relocation could not be completed by July 6, 1986. This is evident from the legislative history of the Interior Department Appropriations Act. See, *e.g.*, Senate Report 99-141 (Sept. 24, 1985) at p. 92. Nevertheless, Congress appropriated funds in P.L. 99-190 for the relocation process to continue beyond the July 6 date. There is nothing in the Settlement Act, as amended, to prevent this process from continuing. The above-quoted sentence from section 14(a) is merely directory in tone, and does not in any way limit the authority of the Relocation Commission beyond the July 6 date. Indeed, section 12(j) of the Act, as amended, provides that the Commission "shall cease to exist when the President determines that its functions have been fully discharged." 25 U.S.C. § 640d-11(j). The responsibilities of the Secretary of the Interior are also unaffected by the passage of the July 6 date. Section 10(c) of the Act, as amended by the 1980 Relocation Amendments, provides that the Secretary "shall take such action as may be necessary in order to assure the protection, until relocation, of the rights and property of individuals subject to relocation. . . ." 25 U.S.C. § 640d-9(c) (emphasis added); see also section 10(d) and 10(e).

Accordingly, Congress properly determined in its consideration of appropriations for this program to provide for funding beyond the July 6, 1986, date to complete the process begun by the 1974 Act, the 1980 amendments, and the 1981 relocation plan. To insure that relocation be effected in an orderly fashion, Congress also provided in P.L. 99-190, "That none of the funds contained in this or any other act may be used to evict any Navajo household who, as of November 30, 1985, is physically domiciled on the lands partitioned to the Hopi Tribe until such time as a new or replacement home is available for such household." It is apparent, therefore, that it is the intent of Congress that the Navajo families residing on the Hopi Partitioned Lands be able to remain thereon until replacement homes are available for relocation. And under section 10(c) of the Settlement Act, quoted above, the Secretary will continue to be responsible for assuring the protection of the rights and property of the Navajo relocatees.

LAWSUIT FROM HOPIS

Mr. YATES. What is the role of the Solicitor's Office in the event after July 6 the Hopis either file suit or take action to evict Navajo from the Hopi Partitioned Land?

Mr. TARR. As I understand it, there is a lawsuit currently pending in that area.

Mr. YATES. An eviction suit?

Mr. TARR. Well, it is not at this point. That is not the status of it. Mr. Vollmann can help me with that. It is the older suit that had to do with the determination of the status. There are a number of other issues such as the fence that divides, and so forth, and I trust that would probably be the most likely vehicle that the Hopis might use. We have been participants in that lawsuit, and we do have the obligation under the original resettlement act to protect the Navajo. So we would take all the steps to fulfill that responsibility. I would ask Mr. Vollmann to add anything.

Mr. VOLLMANN. That is correct.

The Hopis filed suit against us in 1981 or 1982 to enforce various provisions of the 1980 amendments to the settlement act, and that suit worked its way up to the 9th Circuit and back, and it is still pending and they may wish to renew that.

I suppose I wouldn't be surprised if they did, after July 6, which is not to say they should or that it is a good idea. But as the Solicitor pointed out, in that lawsuit we have pointed out that the 1980 amendments require the Secretary to protect the rights, he has the responsiblity to protect the rights and the property of Navajos awaiting relocation. That is the position we have taken in that litigation and we will continue to take that position.

CONGRESSIONAL LANGUAGE SUPERSEDING RELOCATION DEADLINE

Mr. YATES. Did your opinion, which I haven't yet had an opportunity to read, cover the question as to whether the language of the Congress, in last year's conference report on the appropriations bill, the continuing resolution which indicated congressional intention that there be no eviction from the Hopi Partitioned Lands unless there be adequate facilities in which to place the people who are being relocated supersedes the establishment of the deadline?

Mr. TARR. We referred to that language——

Mr. YATES. I understand, in the opinion.

Mr. TARR [continuing]. In the document you have. One of the arguments we would certainly make is that Congress has expressed itself that there will be an orderly relocation, and that that language indicates some strong guidance for any court that might pursue this question.

Mr. YATES. You haven't talked or had any discussions with the District Court about the upcoming deadline?

Mr. TARR. I don't believe there has been anything pending at this point.

Mr. VOLLMANN. There is a hearing today.

Mr. YATES. Oh, is there?

Mr. VOLLMANN. In the U.S. District Court.

Mr. YATES. On the question of the deadline?

Mr. VOLLMANN. No, not on the question of the deadline, but the judge, one judge has all of the Navajo litigation, and there are about a half dozen suits, so he may ask some questions. There may be a dialog.

Mr. TARR. But there is no formal procedure at this point on that specific issue.

Mr. YATES. Do you have a lawyer there?

Mr. VOLLMANN. From the Department of Justice. We may have someone.

Mr. YATES. The committee would be interested in finding out what happens, if anything.

Mr. VOLLMANN. Certainly.

[The information follows:]

NAVAJO RELOCATION DEADLINE

A hearing was held in the U.S. District Court on Monday, April 28, 1986, in the case of *Sidney* v. *Zah*, Civ. 76-934 PHX-EHC (D. Ariz.). No discussion of the July 6, 1986 Navajo relocation deadline came up.

Mr. TARR. We have discussed these points with that attorney through Mr. Vollmann's office, so that he is prepared to answer the questions similarly to what we have answered for you today.

INDIAN OIL AND GAS REVENUE LOSSES

Mr. YATES. Let's talk about losses of oil and gas royalty revenues. We are troubled by the fact that there still may be losses of oil and gas revenues to the Indian tribes. How do you prepare such cases? Is there any such case pending by the Indians for loss of revenue against the Government?

Mr. TARR. There is.

Mr. VOLLMANN. We have 10 or 12 suits in the U.S. Claims Court and in a number of U.S. District Courts challenging our procedures, challenging our compliance with the Federal Oil and Gas Royalty Management Act, and also seeking to get back royalties from various producers, and it really depends on the nature of the litigation and the way it is framed as to how we have defended.

I would hate to characterize our defense generally, but in a number of cases we have tried to work out timetables to address the concerns that were raised by Indian plaintiffs, and that has met with a certain amount of success.

Mr. YATES. On whom is the burden in those cases? On the plaintiffs to show that losses occurred, or on you to defend against the possibility of such losses?

Mr. VOLLMANN. Well, it depends on how the plaintiffs have framed the suit.

Mr. YATES. Yes.

Mr. VOLLMANN. Certainly plaintiffs in civil litigation generally——

Mr. YATES. I know, have the burden, but I was wondering about in these cases, because of the trusteeship question, as to whether that shifts the burden over to you, inasmuch as presumably you represent the trustee and the trustee has to prove that what he is doing is correct.

Mr. VOLLMANN. I don't know as a technical matter that the rules of evidence change, but certainly the courts do look to us once there are allegations made, that we haven't done our job.

Mr. YATES. What do you do with the section of the law, Section 1715(a): "When any payment including amounts due from receipt of any royalty, bonus, interest, charge, is made by the United States to a State with respect to any oil or gas lease on Federal lands or is deposited in the appropriate Indian account on behalf of an Indian tribe or Indian allottee with respect to any oil or gas lease on Indian lands, there shall be provided together with such payment description of the type of payment being made, the period covered by such payment, the source of such payment, production amounts, the royalty rate, the unit value and such other information as may be agreed upon by the Secretary and the recipients to the Indian tribe or allottee."

MINERALS MANAGEMENT SERVICE COMPLIANCE WITH LAW

The MMS is not complying with that. They are not making the information available. The Indians are complaining about it. Is there any reason why that should not be complied with?

Mr. VOLLMANN. There is no reason that it should not be complied with, and I understand that the Bureau of Indian Affairs and the Minerals Management Service are working to improve the procedures to provide better explanations of these royalty payments.

OCS LEASING IN NORTH ATLANTIC

Mr. YATES. Let's hope. Let's talk about the moratorium on leasing of the OCS lands. In the five-year plan, the Minerals Management Service has scheduled a "request for interest" for the North Atlantic planning area. The moratorium language states that "No funds may be expended for the preparation for, or conduct of, preleasing and leasing activities (including but not limited to): calls for information, tract selection, notices of sale, receipt of bids."

Is this in violation of the moratorium language?

Mr. **Tarr**. It is my understanding, Mr. Chairman, that the moratorium is not in effect at this point but I would ask Pierce Elliott.

Mr. **Yates**. This is North Atlantic, not California.

Mr. **William Elliott**. I can't answer for the MMS. I think we should probably try to submit something for the record.

Mr. **Itteilag**. Mr. Chairman, when a similar question was asked of Mr. Bettenberg, in his hearing, he said the activities that you described excluded any of those tracts in the North Atlantic that were subject to the moratorium provision. That is my recollection of his answer, and we will check that.

[The information follows:]

Moratorium on OCS Leasing

The moratorium language referred to is contained in section 107 (General Provisions, Department of the Interior) for the Fiscal Year 1986 Appropriations Bill, H.J. Res. 465, H. Conf. Rep. No. 99-443, 99th Cong., 1st Sess. 59 (Dec. 16, 1985). Congress stated that "No funds provided in this title may be expended by the Department of the Interior for the preparation for, or conduct of, pre-leasing and leasing activities (including but not limited to: calls for information, tract selection, notices of sale, receipt of bids and award of leases) of lands within [four prescribed areas]." This prohibition applies to the pre-sale procedures for holding an OCS lease sale under section 19 of the OCS Lands Act, 43 U.S.C. 1345. In compliance with this language, Interior has not taken any step or expended any funds to prepare for or conduct such activities.

The moratorium has no application, however, to the development of the 5-year leasing program under section 18 of the OCS Lands Act, 43 U.S.C. 1344. Section 18 is an independent statutory directive for the Secretary to establish and maintain an ongoing 5-year program. The planning process for the program is, in itself, a two-year process at a minimum. Thus, the Department must initiate the 5-year planning process far in advance of the time when final approval of the plan is expected. In the present case, Interior began the programmatic planning process in July 1984. This process will not be complete until early 1987, when the Secretary approves a Proposed Final Program, which will be forwarded to the President and Congress for review.

Merely by proposing to schedule a North Atlantic lease sale on the 1987-1991 program, Interior is not conducting any prohibited pre-sale step for a particular sale in contravention of the fiscal year 1986 moratorium. Congress clearly did not intend to prohibit all study of the North Atlantic moratorium areas, as it stated in section 107(f) of the Appropriations Bill that "nothing in this section shall prohibit the Secretary of the Interior from preparing environmental impact statements as required by the National Environmental Policy Act."

LITIGATION ON 8(g) REVENUES

Mr. **Yates**. All right. Is there any continuing litigation on the 8(g) revenues?

Mr. **Tarr**. I understand that we have been sued in the last day or so on another theory in that same area by the State of Louisiana, and I have not had an opportunity to get a definitive report on it yet.

Mr. **Yates**. Would you put it in the record when you do?

Mr. **Tarr**. We will do that.

[The information follows:]

Louisiana Lawsuit on Section 8(g) Revenues

On April 25, 1986, the State of Louisiana filed suit in federal district court in the Western District of Louisiana against the United States. *Louisiana* v. *United States*, Civ. Action No. 860924 Sec. L (W.D.La. filed Apr. 25, 1986). The State alleges that a federal OCS lessee unlawfully is draining natural gas and condensate from common pools extending beneath federal and state submerged lands. The State, joined by three of its lessees as intervenors, claims that the Interior Department and the federal lessee, Samedan Oil Company, are violating the recently amended provisions of section 8(g) of the OCS Lands Act, 43 U.S.C. 1337(g), by failing to unitize production from adjoining state and federal leases. The plaintiffs also claim that Samedan's rate and method of production violate their correlative rights to recover oil and gas underlying state-issued leases.

The plaintiffs initially sought a temporary restraining order to limit Samedan's production to the rate in existence on April 18, 1986. Samedan voluntarily agreed on April 29 not to operate a compressor unit that would allow increased production. Following a status conference on April 29, the court established an expedited trial schedule, with an evidentiary hearing to start on May 15. Pre-trial depositions may be held during the first two weeks in May. The Department intends to present both factual evidence and legal arguments regarding the plaintiff's claims for relief.

REGULATIONS FOR MINERALS MANAGEMENT SERVICE

Mr. YATES. Do you have any role to play in the creation of product value guidelines for Minerals Management Service?

Mr. TARR. Let me ask Pierce Elliott about that, please.

Mr. WILLIAM ELLIOTT. Yes, sir, providing legal advice as they prepare the regulations.

Mr. YATES. Where are you with the regulations? Are you holding them up because of your legal opinion, or are they holding it up because of your legal opinion?

Mr. WILLIAM ELLIOTT. Mr. Chairman, I wasn't aware that it was being held up but I believe we are providing legal opinions as they have requested.

Mr. YATES. The problem is I don't know how you can tell until guidelines are established how you can have any base for auditing. How do the auditors know whether the amounts that they are collecting and the amounts they are distributing are called for by guidelines? You have to have guidelines, don't you?

Mr. WILLIAM ELLIOTT. Yes, sir. There are existing guidelines. The question is whether they should be changed and elaborated on.

Mr. YATES. Are these interim guidelines or permanent ones?

Mr. WILLIAM ELLIOTT. The existing ones are the ones that have simply been in use over a period of years, on which royalty has been collected.

Mr. YATES. Does that mean they are permanent? For lack of any others?

Mr. WILLIAM ELLIOTT. If I understand the question correctly, they are permanent since they are being used and have been used for some time. They are now being revised.

INTEREST ON REFUNDS

Mr. YATES. Is there any requirement on the Federal Government to pay interest on refunds? Or would you rather not answer?

Mr. TARR. What kind of refunds?

Mr. YATES. Oh, on repayments under Minerals Management. Are you preparing language regarding refunds on overpayments?

Mr. **Tarr**. Please let me ask Pierce Elliott. I assume you mean in the MMS area?

Mr. **Yates**. Yes.

Mr. **Tarr**. I am not familiar with that, Mr. Chairman.

Mr. **William Elliott**. The only time we pay interest is when it is provided for by statute, and if we had a very specific instance, we could determine whether interest was due or not. But in a general sense, I don't think I can give you a satisfactory answer beyond that.

Mr. **Itteilag**. Mr. Chairman, may I comment again?

Mr. **Yates**. Sure.

Mr. **Itteilag**. As part of the President's budget, there is such a proposal to pay interest on refunds. That is currently not authorized, and the information I have indicates that we were to submit authorization language following the budget. My sense is that we have not done that, but I don't know that it isn't still part of the policy that went into the thinking at that time.

FUNDING FOR SOLICITOR'S OFFICE

Mr. **Yates**. One final question. Do you conceive that the amount of money you have requested in your budget is adequate for your purposes?

Mr. **Tarr**. Yes, I do, Mr. Chairman.

Mr. **Yates**. Thank you.

Mr. **Tarr**. Thank you.

Mr. **Yates**. Mr. Tarr, we are going to have some questions for the record now.

[The information follows:]

ADDITIONAL COMMITTEE QUESTIONS

Client-Paid Travel

Question: Does the Solicitor's Office ever bill its client agencies for travel or other expenses such as employees moves?

-- If so, why aren't these expenses part of the Solicitor's expenses?

Answer: The Solicitor's Office does not technically bill its client agencies for travel or other expenses such as employee relocation. However, as a practical matter, a significant portion of travel expenses are being paid by the Department's bureaus and offices. On one occasion that we know of, a client bureau requested that an attorney be relocated, and paid the relocation expense. The travel situation has occurred over a period of time as a result of a combination of funding restrictions and an increasing workload in the Solicitor's Office. In fiscal year 1986, the matter is further compounded by the Gramm-Rudman-Hollings reductions. No matter whose money is being spent for travel, the Solicitor's Office reviews and approves only high priority requests.

Land Exchanges

Question: In the hearing with the Fish and Wildlife Service we found that the Service has been expending funds in preparation of a major land exchange involving the Arctic National Wildlife Refuge.

-- What resources has the Solicitor contributed to this effort?

-- Could you quantify for us the level of effort required from the Solicitor to consummate a land exchange as opposed to fee acquisition?

Answer: Two attorneys, one from the Division of Conservation and Wildlife and one from the Division of Energy and Resources, have met from time to time with departmental officials and representatives of native corporations and the State of Alaska to discuss the legal issues that would be raised by an exchange involving interests in the Arctic National Wildlife Refuge for inholdings on other refuges. The attorney from the Division of Conservation and Wildlife has been designated as a co-chair of the team, along with a Fish and Wildlife Service official, that would be responsible for negotiating the exchange agreement should discussions progress to that point. However, to date, the discussions are still very preliminary and no contract language has been drafted or negotiated. Occasionally, another attorney from Conservation and Wildlife has been involved when his special expertise has been needed.

The amount of time expended by an attorney to complete a land exchange or a fee acquisition depends on the complexity and novelty of the particular transaction involved. Simple negotiated purchases normally only require a minimal amount of attorney time to render a title opinion. If the acquisition is through condemnation, more time is needed to refer the case to the proceeding. On the other hand, major land exchanges, which by their nature usually require attorneys to be involved in their negotiation, require significant amounts of attorney time.

Reserved Water Rights

Question: On page 25, you indicate that you are involved in the adjudication and negotiation of reserved water rights in Colorado, Wyoming and Montana. To what extent do you rely on the National Park Service to provide information in support of cases?

Answer: NPS is responsible for providing all necessary resource and hydrologic data concerning claims filed on its behalf for reserved water rights, including information regarding purposes of establishment of the park area, water resources in the park, riparian ecosystem analysis and amounts of water considered necessary for accomplishment of stated primary park purposes. This Office assists NPS in assessing the type of data needed in a given situation, and reviews this information in depth to assure that the reserved water right claims are legally correct.

Historic Leasing

Question: The 1980 Amendments to the National Historic Preservation Act provide for the leasing to the private sector of historic buildings administered by NPS.

-- What is the status of regulations to implement this program (SOL-26)?

-- What distinctions can you draw between leasing of historic buildings under the historic leasing program and a concessioner?

Answer: Final regulations for the NPS' historic leasing program became effective November 26, 1982, and are published as 36 C.F.R. Part 18. The Office has been involved concerning interpretations of those regulations and their possible Amendment.

Section 111 of the National Historic Preservation Act, as amended, 16 U.S.C. § 470h-3, authorizes any Federal agency to lease to the private sector historic buildings under its administration. However, other legal requirements imposed on a Federal agency continue to apply. Accordingly, although NPS is authorized to lease historic buildings, it also still must comply with the requirements of 16 U.S.C. § 20 _et seq._, the Concessions Policy Act. The Act generally states that facilities and services to park visitors are to be provided under carefully controlled safeguards against indiscriminate use and that developments are limited to those necessary and appropriate for public use and enjoyment of the park area. Accordingly, should a business be authorized to provide visitor facilities and services in a park area, the requirements of the Concessions Policy Act apply even though the business may occupy an historic building.

Park Protection

Question: On page 28, there is an indication of an increased workload associated with protecting park areas from external threats. Can you give us an idea of what the increased workload is and what the Department's initiatives are in this area?

Answer: The Solicitor's Office has participated in park protection issues primarily through the Branch of Parks and Recreation of the Conservation and Wildlife Division. This involvement has taken several directions. First, we are represented on the Task Force created by the Under Secretary to review park protection issues and problems. This involvement has included participating in Task Force meetings and developing draft materials that have been used in the Task Force efforts to resolve park issues.

Second, we have traditionally participated with the National Park Service in the presentation of a Natural Resource Management course for both Superintendents and mid-level NPS personnel. Our attorneys have put on an 8-hour block of instruction that presents the legal side of natural resource management. This has become a valuable opportunity to counsel our client on the realities of park protection efforts and opportunities for success in conflict resolution. A key reality has been to emphasize that "good facts make good law". Absent a firm resource basis for park protection concerns, the law provides few if any solutions for perceived park protection problems.

Third, we have been involved with the NPS in a wide variety of specific park protection problems. These would include the legal side of issues such as: clean air; surface mining; Corps § 404 permits; toxic waste; and, water quality concerns.

Finally, within the Washington, D.C., area, we have participated with the National Capital Region of the NPS in local zoning issues that have a direct impact on park protection concerns. Examples would include the Georgetown waterfront, the protection of Mount Vernon and similar situations.

Milwaukee Railroad Rights-of-Way

Question: The justification at pages 38 and 46, discusses the Solicitor's efforts on behalf of BLM for the Milwaukee Railroad Rights-of-Way.

> -- Under what terms has the abandoned railroad right-of-way been reconveyed from parties who purchased portions of it from the trustee in bankruptcy?

Answer: The United States has received reconveyances from several parties who purchased portions of the right-of-way. These reconveyances are in the form of quitclaim deeds which convey to the United States all right, title, and interest of those parties in the lands in question. Depending on what estate was purportedly conveyed by the Trustee and the claim of ownership of the United States, the quitclaim deeds convey the surface estate, mineral estate, sand and gravel, or any combination thereof. Since the conveyances were made to clear the title of the United States, the United States did not make any money payments to the grantors, but did pay the recording costs.

Montana Challenge to Reserved Water Rights

Question: What is the status of the challenge by Montana to reserved water rights on BLM-managed wild and scenic rivers?

Answer: The Department is currently negotiating with the Montana Reserved Water Rights Commission, established by the Montana Water Rights Law, on the scope and nature of BLM water rights for Wild and Scenic Rivers, and possible quantities for maintenance of instream flows. Negotiations on this issue and other federal reserved water rights issues for the National Park Service, Indian Tribes, National Forest Service, and other federal land management agencies are continuing.

Reimbursable Program

Question: On page 117, there is an indication that you expect to have a reimbursable program of $200,000.

— Could you please tell the Committee the source of the reimbursable amount?

— Provide for the record the work performed under the $129,000 received as a reimbursable in FY 1985 and the $200,000 estimated for FY 1986.

Answer: We expect to collect reimbursements primarily from our client agencies. Generally, reimbursements are for the salaries of Solicitor's Office personnel who provide services which are special or non-recurring, and services for accelerated legal activities for which Solicitor funds are unavailable. During a fiscal year, we are requested by departmental bureaus and offices to provide urgently needed services. Of these many requests, we are unable to respond to some of them since funding of these unanticipated services has not been programmed or budgeted for in the Solicitor's Office appropriation. Since funding is unavailable to provide the additional services requested, we enter into reimbursable agreements with departmental bureaus and offices. The reimbursements allow the Solicitor's Office to comply with these requests while continuing to carry out high priority and on-going legal activities.

During fiscal year 1986, we will also collect reimbursements from the Department of Energy and the Environmental Protection Agency for the salaries of Solicitor's Office personnel detailed to those agencies pending their appointment to those agencies. We will also receive reimbursements for travel associated with additional litigation activities resulting from the Department's Royalty Management Program.

A list of the reimbursements received in fiscal year 1985 and those currently anticipated to be received in fiscal year 1986 follows:

Fiscal Year 1985 Reimbursable Agreements

Client Agency	FY 1985 Actual	Description of Services Per Agreement
Bureau of Indian Affairs	14,862	Advised BIA concerning trust fund management and accounting.
Bureau of Reclamation	19,791	Worked with local personnel providing legal support in order to expedite and remedy acquisition problems at the Nueces River and Palmetto Bend Projects, Texas, and the McGee Creek Project, Oklahoma.
Minerals Management Service	93,202	Assisted with administrative claims and litigation workload associated with the Royalty Management Program.
Office of the Secretary	1,005	Assisted attorneys on CERCLA 301 project.
Total	$128,860	

Fiscal Year 1986 Reimbursable Agreements

Client Agency	Estimated Amount	Description of Services Per Agreement
Department of Energy	$16,741	Performed organizational duties while awaiting action to effect assignment to DOE.
Environmental Protection Agency	5,245	Advised and assisted the Administrator on a wide variety of environmental matters pertaining to the overview and development of EPA's national water policy and program strategy.
Environmental Protection Agency	8,016	Assisted the Assistant Administrator for Water, EPA, in the overall management of the Immediate Office.
President's Commission on Americans Outdoors	23,851	Assists in providing secretarial support for the work of the President's Commission on Americans Outdoors.

Office of Surface Mining	55,400	Advises OSM's Lexington Field Office and OSM's Director's Office on a variety of legal matters associated with the Kentucky Surface Mining regulatory program.
Bureau of Reclamation	7,809	Assists the Chief, Staffing and Operations Branch, Division of Personnel Management as a personnel specialist.
Bureau of Reclamation	46,000	Works with local personnel to expedite and remedy acquisition problems at the Nueces River and Palmetto Bend Projects, Texas, and the McGee Creek Project, Oklahoma.
Minerals Management Service	105,000	Assist with administrative claims and litigation workload associated with the Royalty Management Program.
Total	$268,062	

Increase In Non-Permanent Staff

Question: On page 118, there is an indication of a significant increase in the use of other than full-time permanent employees. The change is from $94,000 in FY 1985 to $870,000 in both FY 1986 and FY 1987.

-- What accounts for this significant increase?

Answer: The anticipated increase is a result of hiring staff to perform surface mining work related to the Revised Parker Order and section 733 activities. Due to the short-term nature of the work, non-permanent staff are being hired to perform those functions. Salaries for these staff are accounted for in the "other than full-time permanent" object classification.

Outer Continental Shelf Air Quality

Question: The justification on page 61 states that the Solicitor's Office has been involved with OCS air quality rules. On April 9, 1986 the Department announced that Secretary Hodel had selected the Mediation Institute of Los Angeles and Seattle to serve as facilitator for a proposed negotiated rulemaking on air quality.

-- What involvement will the Solicitor's Office have with this activity in FY 1987?

-- How many attorney years will be devoted in FY 1986 and FY 1987 to air quality rulemaking?

Answer: The Solicitor's Office will advise the Secretary on the legality of proposals raised in the rulemaking, on the similarity (or dissimilarity) of those proposals to existing onshore and offshore rules governing air pollutants, and on the scheme for controlling pollutants under state law. The Office will also work with the Justice Department in advising the district court of the status of the rulemaking and the lawsuit. We estimate that approximate 0.2 attorney-years will be spent in fiscal year 1986 and fiscal year 1987 on the rulemaking.

Compliance with Federal Oil and Gas Royalty Management Act

Question: When does the Solicitor's Office believe the Minerals Management Service will comply with the Federal Oil and Gas Royalty Management Act?

Answer: With regard to the issues that have been referred to the Office of the Solicitor, we are aware of no situation where MMS is not substantially in compliance with FOGRMA. Certain issues, such as those pertaining to timely distribution of royalty revenues to Indian allottees, are still in litigation over whether the Department has complied with FOGRMA's requirements.

MMS can provide further information regarding development and implementation of the Production Accounting and Auditing System, and improvements to explanation of payment reports to states and Indians.

Helium Debt

Question: What options has the Solicitor's Office prepared for the Secretary on the resolution of the debt incurred in the purchase of helium for the Helium Conservation Program? (p. 84)

-- Have any of these options been discussed with the Office of Management and Budget?

-- If so, what is the likelihood of legislation being submitted to relieve the government's debt?

Answer: A draft bill has been sent to the Office of Management and Budget (OMB) for its review. We understand OMB is currently in the process of reviewing the bill. We are advised that OMB will provide us with its views on the bill shortly.

Surface Mining Anticipated Caseload

Question: Provide for the record a detailed breakdown of how many lawyers, support personnel and other resources will be assigned to the activities outlined on pages 80-82 of the justification.

-- Include in this breakdown the anticipated caseload in each category.

Answer: The breakdown of the fiscal year 1987 anticipated caseload and resources is as follows:

1. Alternative Enforcement - It is anticipated that the Solicitor's Office will address workload of alternative enforcement matters which will involve 750 cases during fiscal year 1987. A total of 18 FTE's (14 attorneys and 4 support) are anticipated to be utilized on alternative enforcement matters.

2. Debt Collection - It is anticipated that the collections matters will involve 1,850 cases. Twenty-two FTE's (17 attorneys and 5 support) will be utilized on collections matters in fiscal year 1987.

3. Federal Enforcement - It is estimated that the workload in the federal enforcement area, other than in litigation, will consist of 300 matters during fiscal year 1987. The Washington Branch of Governmental Relations, the Knoxville State Programs Unit and attorneys in the Southwest Regional Office in Tulsa will address this workload, with no attorney or support employee working exclusively on these matters. A total of 2 FTE's (both attorney) are estimated to be utilized on federal enforcement matters in fiscal year 1987.

4. Federal Regulatory Programs - Workload of 920 matters is anticipated in the federal regulatory programs area during fiscal year 1987. The Washington Branch of Governmental Relations and the Knoxville State Programs Unit will address this workload, with no attorney or support employee working exclusively on these matters. Two FTE's (1 attorney and 1 support) will be used on federal regulatory programs.

5. State Primacy - Workload of 45 matters is anticipated in the state primacy area during fiscal year 1987. The Washington Branch of Governmental Relations and the Knoxville State Programs Unit will address this workload, with no attorney or support employee working exclusively on these matters. Approximately 1 FTE will be expended in this area.

6. State Program Oversight - The workload in state program oversight is estimated to consist of 225 matters during fiscal year 1987. The Washington Branch of Governmental Relations, the Knoxville State Programs Unit and attorneys in the Southwest Regional Office in Tulsa will address this workload, with no attorney or support employee working exclusively on these matters. Two FTE's (both attorney) will be expended in this area.

7. AML/State Programs - An estimated workload of 200 matters will be addressed in the AML/State Programs area. The Washington Branch of Governmental Relations and the Pittsburgh Field Office will address this workload, with no attorney or support employee working exclusively on these matters. One FTE (attorney) will be utilized on AML/State programs matters.

8. AML/Federal Programs - A workload of 200 matters is anticipated in the AML/Federal Programs area. The Washington Branch of Governmental Relations and the Pittsburgh Field Office will address this workload, with no attorney or support employee working exclusively on these matters. Two FTE's (1 attorney and 1 support) will be utilized in this area.

9. Cooperative Agreements - Three cooperative agreement matters are anticipated during fiscal year 1987. It is estimated that the Washington Branch of Regulatory Programs will spend approximately 1 FTE in addressing this workload.

10. Implementing Regulatory Programs - The Office expects to advise OSMRE on sixty (60) rulemaking actions during fiscal year 1987. It is anticipated that the Washington Branch of Regulatory Programs will spend 3 FTE's (2 attorney and 1 support) in addressing this workload, with no employee working exclusively in this area.

11. Federal Lands - The Office anticipates that it will advise OSMRE on sixty (60) federal lands matters during fiscal year 1987. It is estimated that the Washington Branch of Regulatory Programs and the Knoxville State Programs Unit will spend 1 attorney FTE in addressing this workload.

12. Indian Lands - The Office expects to advise OSMRE on four (4) Indian lands matters during fiscal year 1987. It is anticipated that the Washington Branch of Regulatory Programs will spend less than 1 FTE on Indian lands matters.

13. NEPA - The Office will advise OSMRE on 105 NEPA matters during fiscal year 1987. It is anticipated that the Washington Branch of Regulatory Programs will spend less than 1 FTE in addressing this workload.

14. Defensive Litigation - An administrative and judicial litigation workload of 650 cases is estimated to be addressed during fiscal year 1987. Eighteen FTE's (14 attorney and 4 support) will be utilized to address this workload in Washington, Knoxville, Pittsburgh, Tulsa and Denver.

The foregoing account does include seven FTE's for the additional staff recently authorized to be hired in Knoxville and does not include the time of the Associate Solicitor or Deputy Associate Solicitor for Surface Mining, nor for the Knoxville Field Solicitor.

Decentralization of the Office of Surface Mining

Question: What legal support does the Solicitor's Office envision providing for the decentralization of the Office of Surface Mining?

Answer: OSMRE has a Task Force that is developing decentralization options for the Acting Director. The Solicitor's Office has a representative on the Task Force.

This decentralization effort will not have a significant impact on the Solicitor's Office. It will not directly affect our litigation caseload and, aside from some minor shifting of personnel, our office should be able to provide legal assistance from Washington or our existing field locations. The extent of any personnel shifts, however, can be determined only after OSMRE finalizes its decentralization plans.

Aggressive Pursuit of Alternative Enforcement Actions

Question: Discuss the "aggressive pursuit" of the Solicitor's Office in alternative enforcement actions. (p. 77)

Answer: Of the 2,314 failure-to-abate cessation orders which are unabated, almost 20 percent (446 orders) are involved in litigation to obtain abatement. Sixty-eight cessation orders are under abatement plans negotiated by the Solicitor's Office. Individuals have been cited for contempt for failure to abide by injunctions in nine cases involving 26 cessation orders.

The Solicitor's Office has compelled reclamation work valued at $1,301,604 in cases concluded to date, and has obtained injunctions or abatement agreements requiring an additional $9,576,656 in reclamation work.

Faltering State Regulatory Programs

Question: What advice has the Solicitor's Office given the Director of the Office of Surface Mining Reclamation and Enforcement in respect to taking over faltering state regulatory programs?

Answer: The Solicitor's Office has provided advice in three major areas:

State Program Oversight - The Surface Mining Act requires OSMRE to monitor the administration of approved state regulatory programs. The Solicitor's Office regularly advises OSMRE in its review and evaluation of regulatory programs operating in 24 states. The Office worked with OSMRE in completing two proceedings (Oklahoma and Kansas) under 30 C.F.R. Part 733 and in determining that those States are now operating programs consistent with the Surface Mining Act and its implementing regulations. Additionally, this Office assisted OSMRE in its evaluation of significant problems in primacy states. The Solicitor's Office advised OSMRE on specific issues concerning ten-day notices to the States under 30 U.S.C. 521(a)(1), as well as on enforcement matters regarding notices of violations and cessation orders.

Partial Federal Enforcement - OSMRE instituted federal enforcement of the inspection and enforcement provisions of the Oklahoma regulatory program effective April 30, 1984. The Solicitor's Office advised OSMRE during the review process and in implementing federal enforcement. Additionally, this Office assisted OSMRE in evaluating the remainder of Oklahoma's regulatory program and the progress Oklahoma is making in qualifying for resumption of full regulatory authority. On December 7, 1985, OSMRE announced the phased elimination of federal enforcement in Oklahoma. The Office will continue to assist OSMRE in monitoring this situation until Oklahoma completely regains primacy.

Federal Programs - Section 504 of SMCRA mandates a federal regulatory program for any State which fails to submit its own program proposal or fails to implement or maintain an approved program. The Solicitor's Office counseled OSMRE in implementing federal programs in the active mining States of Tennessee, Washington, Georgia, and in seven States with no current mining.

Annual Review of State Programs

Question: In light of the problems illuminated in the annual review of State programs, how has the Solicitor's Office sought to advise OSMRE on better management and enforcement of the Surface Mining Act?

Answer: The Solicitor's Office does not advise OSMRE concerning its management practices. We have advised OSMRE, however, on almost a daily basis concerning specific enforcement matters and OSMRE's responsibilities under the Surface Mining Act and its implementing regulations. Additionally, we have provided OSMRE specific legal advice on a range of possible options for formulating agency policy.

Applicant Violator System

Question: The Office of Surface Mining is in the process of creating an Applicant Violator System to block permits for operators with unpaid violations, etc. During OSM's hearing before the Committee on March 5, 1986 OSM indicated it would consider seeking an extension from the Court on the date of operation of this system to allow for verification of the data base and to expand the data collected in respect to ownership and control.

-- What role has the Solicitor's Office played in advising OSM on the need for such an extension?

-- If the Solicitor's Office has not played a role why is that since permit blocking on the basis for faulty information could easily lead to litigation which would affect the Solicitor's Office?

Answer: The Solicitor's Office has advised OSMRE concerning the possibility of seeking an extension from the District Court of the time for implementing an Applicant/Violator System. That advice concerned OSMRE's obligations under the Court's revised order in Save Our Cumberland Mountains, Inc. v. Hodel (Parker, J.) and under the Surface Mining Control and Reclamation Act.

Indian Lands Legislation

Question: On page 82 of the justification it states that "(i)f Indian legislation is enacted" the Solicitor's Office would play a role in reviewing regulatory submissions from three Indian tribes.

-- Has such legislation been introduced?
-- If so, what is the status of this legislation?
-- If not, when is such legislation anticipated?

Answer: The Department of the Interior submitted the legislative proposal required under § 710 of SMCRA in February 1984. Legislation which would have authorized Indian tribes to regulate coal mining operations on

Indian lands was introduced in the 98th Congress. The Office is not aware of any legislation presently pending before the 99th Congress and is also unaware of any plans to introduce any such legislation.

Cooperative Agreements

Question: In light of the problem New Mexico encountered when it used State grant money to regulate on Indian land, what steps has the Solicitor's Office taken to ensure this situation will not occur in other existing cooperative agreements? (p. 81)

Answer: The problems encountered in New Mexico were not the result of New Mexico's cooperative agreement, which authorizes state regulation of coal mining on Federal lands. Apparently, the State of New Mexico was under the misimpression that some Indian lands were covered under its state program, not that such lands were Federal lands.

Coal mining on Indian lands only occurs in New Mexico, Arizona and Montana. There is no state program or state regulatory authority in Arizona, so there is no potential problem in that State. The Solicitor's Office is working closely with the Office of Surface Mining Reclamation and Enforcement (OSMRE) to ensure that OSMRE does not improperly fund any activities by the State of Montana on Indian lands. In particular, in an August 12, 1985 Memorandum of Understanding (MOU) between OSMRE and Montana concerning the regulation of coal mining on the Crow Ceded Area, provisions were included specifying that the MOU did not delegate to Montana any of the Interior Secretary's responsibilities for regulation of surface coal mining and reclamation operations on the Crow Ceded Area. Inclusion of these provisions were intended in part to assure that the Interior Department would not fund Montana's activities in the Crow Ceded Area in violation of the Surface Mining Act.

Lobbying Restrictions

Question: 18 U.S.C. 1913 states that no part of the money appropriated by any enactment of Congress shall, in the absence of express authorization by Congress be used in a manner intended to influence a Member of Congress.

-- What restrictions does the Solicitor believe this language imposes on individuals who have contracts for services with federal agencies?

-- If a federal agency contracts for services which result in lobbying is this a violation of the law?

Answer: Section 1913, 18 U.S.C., is a criminal statute that prohibits the use of appropriated funds to pay for personal services, or printed or written matter or other device, intended or designed to influence members of Congress to favor or oppose any legislation or appropriation. Federal officers and employees who violate the section shall be fined not more than $500 or imprisoned not more than one year or both, and removed from their employment. The section has been construed to prohibit government officials from making appeals to the public for the public to in turn contact their congressional representatives with respect to legislation. 59 Comp. Gen. 115 (1979). Despite the section's broad language, it also has been construed as applying only to federal officers and employees. Grassley v. Legal Services Corp., 535 F. Supp. 818, 826, fn. 6 (S.D. Iowa 1982); Comp. Gen. B-202975(1) (1981). Because individuals who contract with federal agencies are not federal officers or employees, we do not believe that 18 U.S.C. § 1913 would apply to their activities.

However, the Department is subject to section 304 of its annual appropriations act which provides that no part of an appropriation contained in the act is available for any activity or the publication or distribution of literature that in any way tends to promote public support or opposition to any legislative proposal on which congressional action is not complete. P.L. 99-190; P.L. 98-473. This section has been construed to prohibit expenditures of funds provided by the act for any activity or for publication or distribution of literature that tends to promote public support for or opposition to legislative proposals pending before Congress, without regard to whether the public will in turn be moved to urge their elected representatives to act in a particular manner on legislative proposals. The action to be taken with respect to expenditures of appropriated funds in violation of section 304 is recovery of the amounts illegally expended. 59 Comp. Gen. 115 (1979).

WEDNESDAY, APRIL 9, 1986.

FISH AND WILDLIFE SERVICE

WITNESS

WILLIAM P. HORN, ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS

INTRODUCTIONS

Mr. **YATES**. The hearing will come to order. This is the hearing on the budget for fiscal year 1987, for the Fish and Wildlife Service, and today in support of the budget is Mr. Horn, the Assistant Secretary.

Good morning, Mr. Horn. He is accompanied by Dr. Hester. Dr. Hester, glad to see you again. Mr. Lambertson, Executive Assistant to the Deputy Director. Hi, Mr. Lambertson. Mr. O'Connor, Associate Director. Hi, Mr. O'Connor. Mr. Stieglitz. Mr. Kutkuhn.

Mr. **KUTKUHN**. Good morning, sir.

Mr. **YATES**. Mr. Kutkuhn. Mr. Wallenstrom. Good morning, Mr. Wallenstrom. Mr. Smith.

Mr. **SMITH**. Hi again.

Mr. **YATES**. I remember you. Mr. Davis, Administration. Mr. Davis, where are you? Mr. Verburg, Mr. Itteilag. Hi, Mr. Itteilag.

Regional Directors, Mr. Blum, from Oregon. Hi, Mr. Blum. Mr. Spear, from New Mexico. Hi, Mr. Spear. Mr. Nelson, from Minnesota. Mr. Pulliam from Georgia. Mr. Larson, from Massachusetts. Mr. Buterbaugh, from Denver. Mr. Gilmore, from Anchorage. Hi, Mr. Gilmore.

Mr. Horn's biography may go into the record at this point. And I think we will put his biography in following the statement. This may go into the record at this point.

There are also biographies of Mr. Lambertson, Mr. Stieglitz, and Mr. Wallenstrom, all of which may succeed Mr. Horn's statement.

I am going to vote.

[Recess.]

[The prepared statement of Mr. Horn and the biographies of Mr. Horn, Mr. Lambertson, Mr. Stieglitz, and Mr. Wallenstrom follow:]

TESTIMONY OF WILLIAM P. HORN, ASSISTANT SECRETARY FOR FISH AND WILDLIFE AND PARKS DEPARTMENT OF THE INTERIOR, BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE FOR INTERIOR AND RELATED AGENCIES

April 9, 1986

Mr. Chairman, I appreciate this opportunity to appear here today to describe the Administration's FY 1987 proposed budget for the U.S. Fish and Wildlife Service (Service). The budget which has been proposed totals $581 million and represents a carefully coordinated program to fund Service activities related to development, management and conservation of the Nation's fish and wildlife resources, while recognizing the need to meet the 1987 deficit reduction targets established by the Gramm-Rudman-Hollings Balanced Budget and Emergency Deficit Control Act (P.L. 99-177).

Prior to discussing the FY 1987 budget request, I would like to note several areas of accomplishment during FY 1985 as well as describe several of our current program activities. The Service's four main program areas are Wildlife Resources, Fishery Resources, Habitat Resources and Federal Assistance. Research and administrative activities conducted by the Service support each of these areas.

Numerous Service activities have been undertaken related to Wildlife Resources. In FY 1985, land acquisitions to augment our National Wildlife Refuge System (NWRS) were initiated on eight new refuges and were expanded on 54 units of the system. Acquisition was achieved via fee purchase, easements, exchange, lease, or management agreements.

The Service has placed considerable emphasis on resource and contaminant problems on refuges during the past few years. A 1983 survey identified 65 types of resource problems, including water resources and public use impacts on 373 refuges. Comprehensive plans to resolve resource problems were prepared by each refuge during FY 1985, and specific resource management and construction projects were undertaken to eliminate or mitigate some of the problems. The Service's comprehensive national survey to update contaminant issues affecting refuges was initiated in May 1985 and completed during January of this year. The survey has identified contaminant problems on ten of the nation's 431 wildlife refuges and indicated 74 refuges where in-depth study is required because of suspected or potential contaminant problems. Prior to initiation of the survey, corrective actions had been undertaken at Crab Orchard, Wheeler, and Kesterson NWR's. Action plans outlining future response strategies will be prepared during this year for each contaminant issue of concern, and priorities will be established for followup actions. The Service will also continue its participation in the Department of the Interior's Task Force on Irrigation Drainage, which I co-chair with the Assistant Secretary for Water and Science. The Department intends to compile and develop priorities for target areas where irrigation drainage could potentially affect fish and wildlife or human health, and to develop a process for field screening of these areas.

Contaminant studies have also been conducted as part of our Habitat Resources efforts, for "hot spot" areas off Service lands. Studies have been conducted in areas where known contaminant problems exist, including the Lower Colorado and Gila Rivers, the Central Valley of California, and the Great Lakes. Information from these special studies will assist Service personnel in working with appropriate Federal and State entities to develop best management plans and other types of remedial actions to address these problems.

With respect to migratory waterfowl, harvest restrictions for black ducks in the Atlantic and Mississippi Flyways, and three species of geese nesting in Alaska, were implemented in a concerted effort to restore populations that have been seriously reduced. In addition, more restrictive regulations were applied nationally to reduce the harvest of woodcock and certain species of waterfowl, such as mallards and pintails, due to severe population declines. Cooperative work is continuing this year with the States, Canada and Mexico to implement species and population management plans for selected migratory birds.

Our fishery program has been active in a number of areas. The Service recently played a key role in negotiations relative to settlement of U.S. v. Michigan, a case regarding Indian treaty fishing rights on the Great Lakes. The negotiated agreement, signed by the State of Michigan, the Department of the Interior, the three concerned Indian tribes, and representatives of sport and commercial user groups, provides the framework for future cooperative allocation and management of fish resources in treaty-ceded waters of Lakes Superior, Michigan, and Huron. In particular, the agreement provides increased protection for the lake trout resource, the focus of a high priority restoration initiative. The Service was also actively involved in negotiating an agreement between State and Federal resource agencies, Indian tribes, and representatives of major resource user groups concerning allocation and management of the salmon and steelhead resources of the Klamath River Basin. This agreement, resolving a long standing and very controversial issue, represents a major action toward restoring and protecting these valuable anadromous fish resources. Since the signing of the Pacific Salmon Treaty by the United States and Canada in January, 1985, the Service has been involved in implementing its provisions related to fishery interception issues for anadromous species in the Northwest. The Service, in close cooperation with the State of Alaska, is also conducting scientific investigations to support continuing treaty negotiations on the allocation of salmon runs in the Yukon River.

During FY 1985, the Secretary of the Interior approved and the Service published a Statement of Responsibilities and Role for the Fishery Resources Program which identifies four major responsibilities that will be the focus of the program. This statement, which culminated a two-year effort, identifies the following responsibilities: (1) to facilitate restoration of depleted nationally significant fishery resources; (2) to seek and provide for mitigation of fishery resource impairment due to Federal water-related development; (3) to assist with management of fishery resources on Federal (primarily Service) and Indian lands; and (4) to maintain a Federal leadership role in scientifically based management of national fishery resources.

Our Habitat Resources efforts seek to ensure that fish and wildlife resources, and associated habitat, are accorded equal consideration with other aspects of land and water development activities. We have recently completed a re-negotiation of the Memorandum of Agreement (MOA) with the Corps of Engineers established pursuant to Section 404(q) of the Clean Water Act.

The MOA provided a mechanism for the Service to comment on the impacts to fish and wildlife resources of wetlands dredge and fill permits. The revised agreement sanctions field level negotiations regarding agency differences on permits, thereby enhancing the opportunity for successful conflict resolution without a formal request to Washington to elevate a permit decision for review. Another important provision of the new MOA allows for natural resource values to be considered for permit decisions that are elevated. These, and other changes to the MOA, will encourage cooperative efforts between the Service and the Corps regarding permit actions. Other activities related to wetlands included our National Wetlands Inventory (NWI) efforts which, during FY 1985, produced wetlands maps for 154,000 square miles in the lower 48 states and 10,000 square miles in Alaska.

During 1985, the Service intensified its Predevelopment Consultation (PDC) efforts. The purpose of PDC is to work with Federal and private developers to make them aware of fish and wildlife needs during the early planning stages of a project. An example of PDC is the effort recently initiated out of our Cortland, New York Field Office, to identify and work with developers on a watershed-by-watershed basis to assist them in avoiding development in sensitive resource areas. We believe that this approach gives great promise, particularly in assisting determinations of cumulative impacts of development within a watershed.

Our Federal Assistance activities include our Federal Aid and Endangered Species Programs. In FY 1986, the provisions of the expanded Federal Aid in Fish Restoration Program became effective. The Dingell-Johnson program, as expanded by the Wallop-Breaux amendments, provided grants to the states for the management and enhancement of sport fish resources. Additional sources of funding for this program have developed from a newly created Aquatic Resources Trust Fund and have expanded the program from $38 million in FY 1985 to $122 million in FY 1986. Revisions to this program by the Wallop-Breaux amendments have placed greater emphasis on the use of funds for public fishing access to accommodate motor boats, and require coastal states to allocate funds among fresh water and saltwater sport fishery resources.

The Endangered Species Program has continued its listing, recovery, and species monitoring activities. A total of 56 more native animals and plants, and one foreign animal, were added to the U.S. List of Endangered and Threatened Wildlife and Plants during FY 1985. The number of approved recovery plans for listed species increased by 26 to a total of 185 during this same period, while one more Cooperative State Agreement was negotiated for fish and wildlife, and four more for plants, totalling 44 and 22, respectively. The American alligator in Florida was reclassified from "Threatened" to "Threatened by Similarity of Appearance," reflecting improvements in its status in that state. Four species were delisted because of their recovery, including the brown pelican in Alabama, and

Florida, and on the Atlantic Coast, and three birds on Palau in the Pacific Trust Territories. To date, there are now 885 listed species (389 native), consisting of 765 "Endangered" (307 native), and 120 "Threatened" (82 native).

Research by the Service supports each of the program areas I have described. In addition to those already noted, efforts have been made to develop a reliable data base for determining the extent of lead shot problems on 58 NWR's. Progress has also been made in combining our cooperative fish and wildlife research units. To date, units have been combined in all but seven states. We expect completion of combined units in two of these seven states in FY 1986.

I would now like to describe the President's proposed budget for FY 1987 for the Service. The FY 1987 budget proposal, I believe, is equally sensitive to our resource responsibilities and to the achievement of the 1987 deficit reduction targets established by P.L. 99-177. As a result of P.L. 99-177, all Fish and Wildlife Service programs in FY 1986 will be reduced by 4.3 percent. The sequestration, that was effective on March 1, permanently canceled $16.4 million of FY 1986 budget authority and deferred $11.5 million in FY 1986 spending authority associated with permanent and trust funds and $192,000 in obligational authority from offsetting collections. The overall impact of the sequestration will not close any Service facilities nor necessitate furloughs or reductions in force of permanent employees.

The FY 1987 budget request for the Service totals $581.4 million. Although this level represents a decrease of $70.4 million from the FY 1986 appropriation of $651.8 million, we have been able to continue operating major resource programs, at or near their current levels, and to propose program increases for high priority activities. The budget achieves the overall reduction ($70.4 million) by eliminating or deferring lower priority activities, and by focusing construction and land acquisition on only safety issues and the most critical resource threats. I would like to point out that this proposal does not reflect any antipathy toward land acquisition; rather it is a realistic budget directed towards meeting the highest immediate priorities within the framework of the Gramm-Rudman-Hollings reduction targets.

The request for Resource Management, the Service's principal operating account, is $285.1 million, which is $14 million below the FY 1986 appropriation level. Within the total funding level are proposed new or expanded initiatives, such as studies of the effect of contaminants on fish and wildlife resources, restoration of declining waterfowl populations through enhanced waterfowl management and research, and operational activities for new and recently expanded wildlife refuges.

The Service will continue to be actively involved in monitoring the build-up and evaluating the effects of environmental contaminants on fish and wildlife resources and their habitats resulting from agricultural and industrial development. The Service will increase efforts on contaminants by $2.5 million in 1987. The budget requests increases totaling $2.2 million in FY 1987 to continue research and monitoring in this important area. Site specific efforts will address contaminants affecting a number of major geographic areas including the Central Valley area of California, Upper Mississippi River area, Great Lakes, and Alaska tundra habitats. Several studies are proposed that will evaluate the effects of point and non-point sources of pollution on fish and wildlife resources and habitats. Also included in this proposal is a request of $900,000 for scientific equipment to analyze contaminant samples and to enhance computer data storage capacity at the Patuxent Wildlife Research Center and the Columbia National Fisheries Research Laboratory. The Service will redirect $310 thousand of the existing resource problems funding from lower priority areas to address contaminant concerns on refuges.

The lowest waterfowl breeding populations that have ever been recorded in 31 years of conducting surveys occurred in 1985. The estimated 1985 fall flight was 22 percent lower than that for the previous year. As mentioned previously, the Service restricted the level of waterfowl harvest in 1985 due to this decline; the 1987 budget requests an additional $5.1 million in the wildlife resources program to help restore waterfowl population levels. This would be accomplished through methods to increase waterfowl production and research studies to determine non-hunting mortality factors which can be further minimized by habitat management practices.

To meet important needs on national wildlife refuges, last year Congress provided an additional $2.7 million for operations and maintenance and for refuges recently added to the system. This funding is being utilized to sustain non-discretionary activities and to meet the requirements of our Youth Conservation Corps program. During FY 1986, we have been able to provide operations costs on some new refuges by temporarily realigning funds from existing stations. Our FY 1987 increase of $1.6 million establishes a permanent operational base for 24 new stations and allows for the restoration of base operational funding to other units. An additional $730,000 will support such activities as management, fencing or posting, habitat management, and general operational activities on existing refuges. These increases are offset in part by requested decreases of $838,000 for several short term activities including preparation of educational materials concerning Arctic nesting geese, rehabilitation of visitor facilities, and quantification of refuge water rights.

The Accelerated Refuge Maintenance Management (ARMM) program was initiated in 1984 to address serious maintenance needs on national wildlife refuges. Resource management appropriations totalling $49.6 million and the additional $12 million provided through the two year Jobs Bill program have allowed us to achieve substantial progress toward rehabilitating National Wildlife Refuge facilities. Because of this accelerated progress the Service is requesting $8.8 million, a decrease of $9.5 million, for additional high priority maintenance activities.

The 1987 budget includes a number of initiatives that address our highest priorities related to the Nation's fishery resources. An increase of $809,000 is proposed to continue mitigation efforts under the Lower Snake River Compensation Plan whose purpose is to restore steelhead and salmon stocks affected adversely by water development projects. Other increases will support Service efforts to provide more comprehensive assessment data on fish stocks that are the focus of a Court-ordered settlement of a fishing rights dispute in treaty-ceded waters of the Upper Great Lakes, and to initiate a comprehensive review of mitigation requirements related to fish stocking as a basis for recovering fish-production costs from project beneficiaries.

The funding added in 1986 to implement provisions of the U.S./Canada Pacific Salmon Treaty is continued in this budget. In addition, the Resource Management funding support for Atlantic salmon and striped bass restoration will remain constant.

To continue efforts initiated in 1983 to evaluate all national fish hatcheries and to retain only those that fulfill Federal responsibilities, the Service is proposing to close or transfer to State operation six hatcheries and one field station. With this action, all Federal stocking of private waters will be terminated; in addition, display aquariums at six hatcheries will be closed. Total cost savings will be approximately $1.1 million.

Funding for endangered species will total $23.2 million in FY 1987 compared to $29 million in FY 1986. The largest single reduction of $4.2 million below the FY 1986 estimate results from termination of the state grant program. Endangered species recovery actions will be continued for the highest priority species. A reduction of $754,000 in Federal recovery actions for some species is proposed since certain projects will be completed in FY 1986 and others are now adequately funded through private and state sources. The budget proposes that the forensic laboratory, to be established with $1 million in FY 1986, will be operated in FY 1987 using receipts collected from port inspection fees.

As a general thrust throughout our budget, no funds are requested for most of the State grant programs administered by the Service, with the exception of the Pittman-Robertson and Dingell-Johnson (or Wallop-Breaux) programs. These programs include the Endangered Species grants, the subsistence grants to the State of Alaska, and the Anadromous Fish Conservation Act grant program. We believe that it is appropriate during this period of fiscal austerity, to discontinue Federal funding in these particular areas especially because the States can make contributions and support the projects on their own.

No funds are requested in FY 1987 for new land acquisition from the Land and Water Conservation Fund or the Migratory Bird Conservation account. I mentioned previously, and would like to reiterate now, that this limited request is not the result of any antipathy toward land acquisition. The Department would have liked to have been able to allocate funds for land acquisition; however given the need to meet the Gramm-Rudman-Hollings deficit reduction targets and maintain a reasonable level of operation of Service facilities, it was not possible to commit funds to this purpose.

However, $1.5 million is requested from the Land and Water Conservation Fund to administer on-going acquisition management activities. The Service's basic policy for land acquisition is to acquire title only when other means cannot be used to achieve protection goals. In 1987, we will actively pursue cooperative agreements, exchanges, donations and other non-acquisition alternatives as techniques to reduce Federal expenditures while protecting fish and wildlife and their habitat.

An Interior Inter-Bureau Task Force has been established to expedite exchanges. Two approaches have been taken to expedite the exchange process. The "Track A" approach addresses exchanges that involve large acreage and high value and which may or may not require special authorizing legislation. Secretarial level consideration is required. Other significant exchanges are identified as "Track B." These include exchanges of lower value and/or smaller size and do not require legislation, but nevertheless will be coordinated by the Washington Offices of the bureaus involved.

An additional $16.5 million from the sale of duck stamps is estimated to be available for land acquisition in FY 1987, based on the proposed increase in the price of the duck stamp from $7.50 to $10.00. The $16.5 million will be used to acquire an estimated 24,800 acres of wetlands. During the past five years, considerable resources have been made available to the Service for land acquisition. For example, between 1981 and 1985, $108.5 million has been obligated from the Migratory Bird Conservation account to acquire more than 235,000 acres of important migratory bird habitat. During the same period, $165.5 million from the Land and Water Conservation Fund has been used to acquire 160,694 acres of other valuable refuge lands. In addition, during this period, donations of lands totalled 137,306 acres and approximately 1 million acres was added to the refuge system based on land exchanges. In FY 1986, $28 million in new Migratory Bird Conservation funds and $33.8 million from the LWCF are available to continue these acquisitions.

The FY 1987 budget proposes $5.6 million in appropriations for refuge revenue sharing payments to counties under the National Wildlife Refuge Fund, compared to $5.4 million in the FY 1986 estimate. Appropriated funds will be supplemented with prior year receipts (approximately $4.6 million) from the sale of timber, grazing privileges, oil, gas, minerals and from current user fees.

Both the Dingell-Johnson program of sport fish restoration grants and the Pittman-Robertson program of wildlife restoration will be fully funded in FY 1987. Payments under Dingell-Johnson are expected to increase by about $39.3 million to $161.5 million (a level which represents more than four times the 1985 amount), although estimated payments under Pittman-Robertson are expected to decline in FY 1987 by about $25.8 million to $95 million. This decline is due to delays in reporting receipts and a one-time adjustment made by the Internal Revenue Service in 1986 that caused amounts available in 1986 to be higher than previously estimated. The FY 1987 estimate represents a return to a more typical level of expenditures. For both Dingell-Johnson and Pittman-Robertson, the states will receive a larger share of total funding since about $11.8 million in funds previously used for Federal administration of both programs are being allocated to enhance state grants. Before I close my remarks, I would like to again bring attention to the fact that 1986 marks the 50th Anniversary of the Pittman-Robertson program.

In addition, I would like to point out that we support the proposal included in the Emergency Wetlands legislation that would provide entrance fees at designated units of the National Wildlife Refuge System. Receipts from the proposed fees would be allocated as follows: 40 percent paid into the Migratory Bird Conservation Fund, 40 percent available for refuge operation and maintenance expenses, and 20 percent deposited into the general fund of the U.S. Treasury. If enacted, the fee proposal will expand the protection of unique wetland areas through land acquisition and address operational needs of the refuge system without increasing the burden on the general taxpayer.

Mr. Chairman, this concludes my prepared testimony. I would be pleased to answer any questions you may have.

William P. Horn

William P. Horn has served as Assistant Secretary for Fish and Wildlife and Parks within the Department of the Interior since July, 1985. Prior to assuming that position, he served as Deputy Under Secretary at Interior. His primary responsibilities in that position were coordinating and directing the Department's Alaska-related programs, serving as Chief Coordinator of Negotiations for the Indian Water Claims Task Force, and sitting as a U.S. Commissioner of the international Great Lakes Fisheries Commission (a position he still holds).

Before coming to Interior in 1981, Mr. Horn was minority staff consultant to the House Interior and Insular Affairs Committee and prior to that, a special assistant to the Assistant Secretary of the Interior for Land and Water Resources during the years 1976-77.

Horn also worked as special assistant to the late Rogers C.B. Morton, a former Interior Secretary, when Morton was Secretary of Commerce in 1975. For 3 years prior to that he was a staff member of the House Republican Conference, advancing to the position of Acting Executive Director.

Horn is an honors graduate of the American University, Washington, D.C., where he earned a B.A. in 1972 and a J.D. Degree in 1983. He is a member of Trout Unlimited, the Ruffed Grouse Society, Ducks Unlimited, and the District of Columbia Bar. He is married, has two children, and resides in McLean, Virginia. He was born December 16, 1950, in Dover, Delaware.

BIOGRAPHICAL SKETCH

Ronald E. Lambertson

Ronald E. Lambertson was appointed the Associate Director for Wildlife Resources, Fish and Wildlife Service, in October 1983. In his position, he oversees the administration of the following activities: National Wildlife Refuge System, Migratory Bird program, Animal Damage Control, Law Enforcement, Realty, Public Use Management and Youth Activities. Lambertson has been appointed to serve in the temporary position of Executive Assistant to the Deputy Director from October 3, 1985 to April 30, 1986. From 1979 to 1983, he served with the Service as Associate Director - Federal Assistance.

Receiving his Juris Doctorate from the University of Colorado in 1970 and holding an undergraduate degree in Wildlife Management from Colorado State University, Lambertson began his career with the Interior Department in the Office of the Solicitor. He was appointed to the position of Assistant Solicitor in 1974, where he served as the Fish and Wildlife Service's chief legal advisor until his appointment with the Fish and Wildlife Service.

A native of Adams County, Colorado, Lambertson now lives in Silver Spring, Maryland, with his wife, Bonnie, and their two daughters.

BIOGRAPHICAL SKETCH

Walter O. Stieglitz

Walter O. Stieglitz, 52, Deputy Associate Director, National Wildlife Refuge System, is a native of Illinois and received both bachelors and masters degrees in zoology/wildlife management from Southern Illinois University and served three years in the Air Force as a pilot.

A 26-year employee of the Fish and Wildlife Service, Stieglitz began his career as Assistant Refuge Manager of the Reelfoot and Lake Isom National Wildlife Refuges in Tennessee. He subsequently transferred to the same position for the South Florida Wildlife Refuge Complex and then became the Area Biologist for the States of Florida, Alabama, and Georgia. In 1973 Stieglitz was named the first Refuge Manager of the San Francisco Bay Refuge Complex.

In 1975, Stieglitz transferred to Washington, D.C., where he worked in several positions including, Chief of the Branch of Resource Management in the Division of Refuges, Chief of Refuges, Coordinator of the Bicentennial Land Heritage Program, and Chief of the Wildlife Resources Program Development Staff. He was appointed the Deputy Regional Director of the Service's Atlanta region in 1980 and remained there until 1984 when he assumed his current position.

BIOGRAPHICAL SKETCH

Rolf L. Wallenstrom

Rolf L. Wallenstrom, Associate Director-Federal Assistance, U.S. Fish and Wildlife Service, 53, is from Syracuse, New York. He has a B.S. degree from New York State College of Environmental Science and Forestry at Syracuse University. He is a graduate of the Department of the Interior Manager Development Program and Harvard University's Executive Program on Environmental Policy and Management. Prior to joining the Fish and Wildlife Service, Mr. Wallenstrom worked for the Diamond Match Corporation in Superior, Montana, and Crown Central Petroleum Corporation in Baltimore, Maryland. He joined the Service with the Division of Realty in Minneapolis, Minnesota in 1959. He was senior appraiser in the wetlands program in Fergus Falls, Minnesota, from 1961 to 1964; wetlands programs supervisor in Aberdeen, South Dakota, from 1964 to 1970; attended the Departmental Manager Development Program in Washington, D.C., from 1971 to 1972; and became one of the Service's first area managers with responsibility for the States of South Dakota and Nebraska in 1972. In 1979, he was appointed Deputy Associate Director-Habitat Resources, and assumed his present duties in March 1985. Mr. Wallenstrom received the Department's second highest award, the Meritorious Service Award in 1978 for his leadership of Service programs in South Dakota and Nebraska.

OPENING REMARKS

Mr. **Yates**. All right. Mr. Horn?

Mr. **Horn**. Mr. Chairman, thank you. I appreciate this opportunity to appear here today before the committee and describe the administration's fiscal year 1987 budget request for the U. S. Fish and Wildlife Service.

The budget totals $581 million, and represents our effort to develop a carefully coordinated program to fund the Service's conservation activities while meeting the 1987 deficit reduction targets established by the Gramm-Rudman-Hollings Balanced Budget Act, and with your permission I would like to submit my full statement for the record.

Mr. **Yates**. It is already in the record.

Mr. **Horn**. Thank you, sir. I will focus on some of the highlights.

The budget we are submitting reflects the important priorities we have established for the Service. These include; first, proper management of the Nation's migratory birds; second, implementation of the newly adopted fisheries role and responsibilities statement; third, management and conservation of the resources of our National Wildlife Refuge System; fourth, fulfilling the responsibilities under the Endangered Species Act; and fifth, addressing broad environmental issues such as contaminants and the loss of wetlands that affect wildlife and wildlife habitat.

The request for Resource Management, which is the Service's principal operating account, is $285.1 million. This is essentially the same level as the fiscal year 1986 appropriation, after the 4.3 percent Gramm-Rudman sequestration was taken. Within the total funding level, there are special initiatives, including studies of the effect of contaminants on fish and wildlife resources, restoration of declining waterfowl populations to enhance waterfowl management and research, and operational activities for new and recently expanded wildlife refuges.

The Service will continue to be actively involved in monitoring and evaluating the effects of environmental contaminants on fish and wildlife resources and their habitats.

The Service will increase efforts on contaminants by $2.5 million in fiscal year 1987. The budget requests increases totaling $2.2 million to expand research and monitoring in this important area. In addition, the Service will redirect $310 thousand of the existing Resource Problems funding from lower priority areas to address contaminant concerns on the refuge system.

WATERFOWL INITIATIVE

In the area of waterfowl, the lowest waterfowl breeding populations recorded in thirty-one years of surveys occurred in 1985. In addition, the estimated 1985 fall flight was a full twenty-two percent lower than that for the previous year. The Service already has taken action, including reduced season lengths and bag limits to address and try to rectify these extremely low population levels.

Mr. **Yates**. Do you have any idea as to why this happened?

Mr. **Horn**. Primarily, it was mother nature. We haven't had rains in the prairie breeding provinces for the last three or four years.

Mr. YATES. It isn't something like DDT was, or any insecticide.

Mr. HORN. Not that we are aware of. In limited areas we have contaminants. We have limited site-specific contaminant problems, but the general problem has just been a lack of rainfall in the key nesting areas.

The 1987 budget requests an additional $5.1 million for increases in the waterfowl production and research study areas as well as studies to determine non-hunting mortality factors, which can be further minimized by habitat management practices.

This budget initiative is one part of the multi-pronged effort to conserve wetlands, and to restore our vital migratory waterfowl populations. Other important factors in this thrust include the administration's efforts on the Farm Bill and its critical conservation provisions, our progress in more effectively administering the 404 Program, and our continuing work with the authorizing committees to produce an emergency wetlands bill.

To meet the important needs on the national wildlife refuges, last year Congress provided an additional $2.7 million for operations and maintenance and for refuges recently added to the system. During fiscal year 1986, we have been able to provide operation costs on new refuges by temporarily realigning funds from existing stations.

Our 1987 requested increase, of $1.6 million establishes a permanent operational base for twenty-four new stations, and allows for restoration of base operational funds to other units.

Mr. YATES. You mean you are replacing money that you took in order to start up new refuges?

Mr. HORN. In fiscal year 1986, to make sure we could do an adequate job on the new and expanded units, we did some money realignment from existing operations to carry everything further.

Mr. YATES. Your previous sentence indicates that you had taken some money from existing units for new opened ones.

Mr. HORN. That is correct.

Mr. YATES. Okay. Did you ever put the money back?

Mr. HORN. That is why we are requesting increased funds in 1987, to put this money back.

Mr. YATES. Okay.

Mr. HORN. Plus requesting additional funds on top of that, so everybody is working at an enhanced level.

The accelerated refuge maintenance management program was initiated in 1984 to address serious maintenance needs on wildlife refuge system. Resource management appropriations totaling nearly $50 million, and $12 million provided by the two-year Jobs Bill program have allowed us to achieve substantial progress in meeting the objectives of the ARMM program.

A 1987 budget request of $8.8 million, a decrease of $9.5 million, will continue high priority maintenance activities.

In the important fisheries area, we are proposing an increase of $809 thousand to continue mitigation efforts under the Lower Snake River Compensation Plan to restore steelhead and salmon stocks adversely affected in that main tributary of the Columbia River by water development projects. Other increases in the Fishery Resources program will provide comprehensive assessment data on fish stocks in the upper Great Lakes, and will initiate a comprehensive review of mitigation requirements related to fish stocking as a basis for recovering fish production costs from project beneficiaries.

The 1986 funding, to implement provisions of the U.S.-Canada Pacific Salmon Treaty is continued in this budget request, and the Resource Management funding support for Atlantic salmon and striped bass restoration programs, will remain constant in fiscal year 1987.

FISH HATCHERY PROPOSAL

In 1983, we initiated an evaluation of all national fish hatcheries, and proposed at that time to retain only those that fulfill major Federal responsibilities. As a result of that effort to realign fish production activities in accordance with state and Federal management responsibilities, eighteen Federally owned fish hatcheries are now operated and funded by state agencies. In the wake of the adoption of the fisheries role and responsibilities statement last year, our fiscal year 1987 budget identifies six additional hatcheries, and one field station, as having production which is not consistent with the new policy. Therefore, we are proposing them for transfer to state operation.

Mr. YATES. Which ones are those?

Mr. HORN. They are essentially warm water production facilities in the southeastern United States.

Mr. YATES. Can you specify which one for me?

Mr. HORN. I have the list. Natchitoches in Louisiana, Warm Springs in Georgia, Carbon Hill in Alabama, Mammoth Spring in Arkansas, Frankfort in Kentucky, Private John Allen in Mississippi, and Bears Bluff in South Carolina. Those are the six hatcheries and one field station.

In addition, display aquariums at six hatcheries will be closed. Total cost savings from this proposal will be approximately $1.1 million.

Funding for endangered species will total $23.2 million in fiscal year 1987, compared to $29 million in fiscal year 1986. The largest single reduction in this program area, $4.2 million below the 1986 estimate, is the termination of the state grant program.

Based on our experience in fiscal year 1982, when the Section 6 grants were not funded, we do not anticipate that any major state projects will be eliminated as a result of this proposed budget reduction.

Endangered species recovery actions conducted by the Service will be continued for our highest priority species. No funds have been requested in fiscal year 1987 for new land acquisition from either the Land and Water Conservation Fund, or for an advance to the Migratory Bird Conservation Account.

LAND ACQUISITION REQUEST

However, $1.5 million is proposed to administer ongoing acquisitions, and to emphasize non-acquisitional alternatives for habitat protection, including cooperative agreements and exchanges. An additional $16.5 million is estimated to be available from the sale of duck stamps for migratory bird habitat acquisition in fiscal year

1987 based on a proposed increase in the duck stamp from $7.50 to $10.00.

These funds will be used to acquire an estimated 24,800 acres of wetlands in fiscal year 1987. We are persuaded that land acquisition can be temporarily deferred given the provisions of the Farm Bill, which establish conservation set asides, which provide for use of lands that otherwise might be foreclosed for conservation purposes. That this will permit some temporary deferral of land acquisition.

In addition, we intend to actively pursue land exchanges, and note that in the past five years, donations of land to the Service totaled 137,000 acres, and over one million acres have been added to the refuge system as a result of land exchanges.

Indeed, last week, we consummated a major exchange which added highly valuable lands to the National Elk Refuge in Jackson, Wyoming.

Mr. YATES. What did you give in exchange?

Mr. HORN. Some interest in coal lands elsewhere in Wyoming.

Mr. YATES. Were they of the same value?

Mr. HORN. Yes, they were.

Mr. YATES. How long did it take to consummate that exchange?

Mr. HORN. That was underway when I took office last August, and we made it a high priority. We were able to finalize it on April l. I think the negotiations——

Mr. YATES. Good. We ought to put you in charge of all land exchanges.

Mr. HORN. We are working on a few.

Mr. YATES. Okay. Go ahead.

Mr. HORN. Both the Dingell-Johnson program of sport fish restoration grants, as expanded by the Wallop-Breaux amendments, and the Pittman-Robertson program of wildlife restoration, will be fully funded in fiscal year 1987. Payments under D-J are expected to increase to $161.5 million, a level which represents more than four times the 1985 amount.

Estimated payments under the Pittman-Robertson fund are expected to decline in fiscal year 1987 by approximately $26 million to $95 million. This decline is due to delays in reporting receipts, and a one-time adjustment by the IRS, that caused amounts available in 1986 to be higher than previously estimated.

The fiscal year 1987 estimate represents a return to a more typical level of expenditures. For both D-J and P-R, the states will be receiving a larger share of total funding, since about $11.8 million in funds previously used for Federal administration of both programs are being allocated to enhance state plans.

Mr. Chairman, that concludes my opening remarks, and for myself and the rest of the Service, we will be pleased to answer any questions you may have.

PERSONNEL REDUCTIONS

Mr. YATES. Will you be losing any personnel as a result of the Gramm-Rudman reductions?

Mr. HORN. In fiscal year 1986, our intention is not to reduce personnel.

Mr. **Hester**. We will not be losing personnel the sense of firing them. We may delay in filling some positions.

Mr. **Yates**. What about the 1987 budget? Are you laying any people off?

Mr. **Hester**. Yes, we will have to reduce the number of people in 1987 as a result of the budget we have presented here.

Mr. **Yates**. How many people will you be reducing?

Mr. **Hester**. There will be 361 fewer people in 1987, but part of that reduction is a result of the Animal Damage Control Program that transferred to the Department of Agriculture. Approximately 185 of those are people who have gone to Agriculture.

Mr. **Yates**. And where are the others from?

Mr. **Hester**. They are from several components of the Service. Our Federal Aid programs, Dingell-Johnson and Pittman-Robertson, include a proposal to pass more of the money through to the states. Therefore, less administrative costs will be incurred by the Fish and Wildlife Service.

Fifty-two people would come from the Service there. There is also a reduction of twenty-four related to Migratory Bird Conservation Account, because of less funds there. Forty-two fewer people in construction, eight fewer people in the Land and Water Conservation Fund, and fifty from refuge maintenance activities and I think that adds up to the number I gave you.

Mr. **Yates**. Will you be hurt from the lack of acquisition funds?

Mr. **Hester**. We will acquire less land because of less funds, but as Mr. Horn has pointed out, we have some other possibilities, including some land exchanges.

ACQUISITION BACKLOG

Mr. **Yates**. Tell us what is pending in that respect? First of all, tell me what is your backlog for acquisition?

Mr. **Hester**. We have a priority list that we prepared, that tells what we would buy if we had more funds.

Mr. **Yates**. Do you have a copy of that? Does anybody have a copy of that priority list?

Mr. **Horn**. We can provide one.

Mr. **Yates**. I would like to know what is on your priority list, and also what is the amount involved.

Mr. **Hester**. Yes, sir. We have established our priorities for land acquisition, and could identify that up to as much as $100 million.

Mr. **Yates**. Is that reflected on the table you have before you here?

Mr. **Hester**. Yes, sir, it is.

Mr. **Yates**. May we have that in the record?

[The information referred to follows:]

FISH AND WILDLIFE SERVICE
LAND AND WATER CONSERVATION FUND
PRIORITY LISTING
FY 1987
($000)

SPECIES/UNIT, STATE	$10 MILLION LEVEL	$20 MILLION LEVEL	$30 MILLION LEVEL	$40 MILLION LEVEL	$50 MILLION LEVEL	$60 MILLION LEVEL	$70 MILLION LEVEL	$80 MILLION LEVEL	$90 MILLION LEVEL	$100 MILLION LEVEL
SAN FRANCISCO BAY, CA	1.50	1.50	2.00	2.00	2.00	2.50	3.00	3.00	3.50	3.50
LOWER SUWANNEE, FL	1.50	2.00	3.50	3.50	3.50	4.00	4.50	5.00	5.30	5.38
ASH MEADOWS, NV	0.50	0.50	0.50	0.60	0.75	1.00	1.06	1.06	1.06	1.06
UPPER HAKALAU NWR,HI	0.75	0.75	0.75	1.00	2.00	2.50	4.00	5.00	6.00	7.23
LOWER RIO GRANDE, TX	4.00	5.00	6.00	6.75	7.00	8.00	7.00	8.00	9.00	10.00
BLUNTNOSED LIZARD,CA	1.75	1.75	2.25	2.50	3.50	4.00	5.00	6.00	6.50	7.00
NATIONAL ELK, WY		2.00	3.00	3.25	3.50	4.00	5.00	5.50	6.00	6.50
PAH. ROUND. CHUB,NV		0.06	0.06	0.06	0.10	0.10	0.10	0.10	0.10	0.10
CONNECTICUT COASTAL, CT		0.50	0.50	0.60	0.60	0.60	0.60	0.60	0.60	0.60
TINICUM NEC,PA		1.01	1.01	1.25	1.50	2.00	2.50	3.00	3.10	3.30
CHARLES M. RUSSELL,MT		0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
TRUSTOM POND NWR,RI		1.10	1.10	1.10	1.25	1.50	1.50	1.50	1.50	1.50
GREAT SWAMP NWR,NJ		1.75	1.75	1.75	2.00	2.50	3.00	3.00	3.00	3.44
GREAT DISMAL SWAMP,VA		2.00	2.00	2.00	3.00	3.50	4.00	4.50	4.50	5.00
TENSAS RIVER NWR,LA			1.75	2.00	3.00	4.00	5.00	6.00	6.00	6.50
EASTERN SHORE NWR,VA			0.80	1.00	1.50	2.00	2.50	2.50	2.50	3.00
OZARK BAT CAVES, OK			0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
WILLAPA NWR,WA			0.75	1.00	2.00	2.50	3.00	3.50	3.50	3.75
MINNESOTA VALLEY NWR,MN			1.50	2.00	3.00	4.00	5.00	6.00	6.00	6.50
NATIONAL KEY DEER,FL			0.35	3.00	4.87	4.97	5.50	6.00	6.00	6.50
FLORIDA PANTHER NWR,FL				4.21	4.50	4.50	5.50	6.00	6.00	6.50
KIRTLAND'S WARBLER,MI						1.40	1.50	1.50	1.50	1.50
MS SANDHILL CRANE,MS							0.31	1.32	1.32	1.50
KARL MUNDT NWR,SD								0.49	0.49	0.49
BEAR VALLEY NWR,OR									0.20	0.20
ST. VINCENT NWR,FL									0.43	0.43
WERTHEIM NWR,NY									2.50	2.90
BON SECOUR,AL									2.27	2.99
KOFA,AZ									0.70	0.70
J.N."DING"DARLING,FL										1.00
BOGUE CHITTO,MS										0.50
SUBTOTAL	10.00	20.00	30.00	40.00	50.00	60.00	70.00	80.00	90.00	100.00
ACQUISITION MANAGEMENT	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
INHOLDINGS	0.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
TOTAL	11.75	22.50	32.50	42.50	52.50	62.50	72.50	82.50	92.50	102.50

Mr. Yates. All right.

Mr. Hester. Mr. Chairman, that list reflects the Land and Water Conservation Fund. As you are aware, we also have Migratory Bird Conservation Fund, which is providing about $16 million as projected in the budget for wetland acquisition.

Mr. Yates. These do show your priorities. They show your priority to be San Francisco Bay in California, Lower Suwannee in Florida, Ash Meadows in Nevada, Upper Hakalau in Hawaii, Lower Rio Grande in Texas.

Which one is that? Is it called the Lower Rio Grande?

Mr. Horn. Yes, it is known by that name.

EXCHANGE PROPOSALS

Mr. Yates. By that name, all right. The Bluntnosed Lizard in California, and National Elk in Wyoming is listed as your sixth priority. Now, taking the ones you have on this list, for which of these do you have land exchanges pending?

Mr. Horn. Right now, I am personally involved, at my level, in the Lower Suwannee in Florida, with the Florida Panther, and the National Elk Refuge——

Mr. Yates. Wait a minute. Don't go so fast. Where is the Florida Panther here?

Mr. Horn. It is about two-thirds or three-quarters of the way down. Lower Suwannee in Florida, and National Elk in Wyoming, those are——

Mr. Yates. I thought you said National Elk had been completed?

Mr. Horn. Well, we completed one there. We have other interests as well in that area. Those are the ones where my office is personally involved in some of the exchange efforts. There may be others that are being handled by the Service, either in the Service in Washington or in the field that I am presently not aware of.

Mr. Yates. Okay. Can somebody tell us whether there are proposed land exchanges for other than the three you have mentioned?

Mr. Hester. I would like to ask Mr. Stieglitz if he can comment on that.

Mr. Stieglitz. Mr. Chairman, several of the regions have ongoing negotiations for relatively minor exchanges in process. It is sort of an ongoing effort.

Mr. Yates. You really need money for your land acquisition. The reason I am asking the question is to find out whether your land exchange program can take care of your need to the point of where you don't need appropriations for acquisition?

Mr. Hester. Basically, we do need additional land, and we have simply said that in view of the need to constrain the budget, we will postpone land acquisition.

Mr. Yates. All right. Will there be any damage done to any of your refuges because you will not have acquired land?

Mr. Hester. Mr. Stieglitz?

Mr. Stieglitz. I think I could answer that, Mr. Chairman, by saying that there aren't any ongoing acquisition proposals where we face imminent loss of habitat if we don't acquire the areas.

THREAT OF DEVELOPMENT

Mr. YATES. Are there any areas where you are threatened with development?

Mr. STIEGLITZ. Yes, there are several.

Mr. YATES. Which ones are those?

Mr. STIEGLITZ. National Elk is an example of one. Lower Rio Grande is another. There are a number of refuges on the list that do have some degree of threat of development.

Mr. YATES. Any of them imminent?

Mr. STIEGLITZ. There is some ongoing development on several, yes. Lower Rio Grande Valley would be an example where agricultural clearing operations are threatening habitat.

Mr. YATES. How much money do you need in Lower Rio Grande? How much land is involved there?

Mr. STIEGLITZ. The total proposal is slightly over a hundred thousand acres, Mr. Chairman. We have had an ongoing acquisition program there for several years.

Mr. YATES. Has that been terminated?

Mr. STIEGLITZ. No, sir. That program is ongoing. There are funds available, and they are being spent this year on that acquisition.

Mr. YATES. Well, do you need acquisition funds beyond those you now have?

Mr. STIEGLITZ. The list you have in front of you, Mr. Chairman, indicates the amounts that could be spent for the Rio Grande Valley if funding were available.

Mr. YATES. Okay. Then, do I understand from what you tell me that with respect to the list that shows $100 million in proposed acquisitions, that only two or three of them are threatened with development?

Mr. STIEGLITZ. The potential for development is higher than that. I can't give you an exact number, Mr. Chairman, but it is more than two or three out of the number listed.

Mr. YATES. Can your able Regional Directors tell us that when we ask them these questions?

Mr. STIEGLITZ. They can give you more specifics on a project-by-project basis, yes, sir.

Mr. HORN. Mr. Chairman, if I may add, one of the things the Secretary has expressed is that, given the constrained budget request on land acquisition, if we are faced with a situation where we have an imminent development, or some threat of loss of major habitat, we then will employ a full range of efforts to make sure that we don't sustain unnecessary habitat loss. We will use the various tactics that are at our disposal including working with other agencies and land exchanges.

Mr. YATES. Do you know of any that are threatened to that extent at the present?

Mr. HORN. As I said, there have been a number of discussions, for example, around the Florida Panther area because of the pending construction of I-75 and agricultural development north and west of that land.

I was just down in Florida last week looking at that particular piece of property and talking about a potential land exchange there.

In other areas that are similarly located, if we discovered the imminence of a threat, we then would take or try to take, corrective action within our budget to make sure that the threats do not become a reality.

Mr. **Yates**. As I understand it, you still have $6 million on hand to take care of the Florida Panther problem.

Mr. **Horn**. That does not permit us to acquire all of the habitat we have identified as being necessary for establishing a Florida Panther wildlife refuge.

Mr. **Yates**. How much do you need?

Mr. **Horn**. I think the list you have outlines what the total expenditure would be.

Mr. **Yates**. Florida Panther would be——

Mr. **Horn**. What is that, $6.5 million additional?

Mr. **Stieglitz**. If I might, Mr. Chairman. The total acquisition for the Florida Panther, including all the administrative costs, relocation, and so forth, is about $17.5 million.

That includes the $6.5 million that is currently available.

Mr. **Yates**. Okay. Are you asking for the additional funds? You have Florida Panther way down on your list of priorities. I would estimate that to be about twentieth on your list. Shouldn't that be up higher. Or are the others much more acute?

Mr. **Stieglitz**. I should explain, Mr. Chairman, that the list you have was developed using our new Land Acquisition Priority System, which considers a number of factors in determining the relative priority of any one acquisition proposal.

The threat to the habitat is only of the considerations.

Mr. **Yates**. I see. What are the others?

Mr. **Stieglitz**. They include the value of the particular tract of land, the number of species involved and whether it is for an endangered species or not. A minor factor is the public use potential of the area. Development needs are also considered. It is a quantitative, prioritized system. This list is our initial effort to use a quantitative method to arrive at the priority, as opposed to using subjective criteria. The system is a little difficult to explain, but we would be happy to do that in more detail some time.

Mr. **Yates**. All right. Put it in the record, will you, a statement as to what your standards are for priority.

[Information to be furnished follows:]

LAND ACQUISITION PRIORITY SYSTEM

The Service's Land Acquisition Priority System is a biologically based system for ranking land acquisition proposals. Projects are categorized and ranked as either Endangered Species, Migratory Birds, Nationally Significant Wildlife Habitat or Nationally Significant Wetlands "targets."

The Service's Land and Water Conservation Fund priority list utilizes the Endangered Species and Nationally Significant Wildlife Habitat targets.

The Endangered Species target is species oriented in that it measures the value of a particular habitat to the species using it. This value is assigned based on whether the acquisition of a habitat will, 1) prevent a species from going extinct, and/or 2) enhance the probability of the recovery of that species.

Nationally Significant Wildlife Habitat projects are ranked based on the diversity of species and habitat trend associated with the acquisition proposal. The site must contain a concentration of a single species or a variety of species of such uniqueness that it makes the site nationally significant. Trend of habitat is ranked by the amount of habitat, vulnerability, and threat potential.

A series of common criteria are applied to each project to consolidate the two target lists into LWCF priority list: 1) contribution to resource management goals, 2) degree of threat 3) potential for public use, 4) opportunity to acquire, 5) enhancement of existing refuge management, 6) acquisition status (percent completed), and 7) operations, maintenance, and development costs.

This final ranking is then utilized for the Service's Land and Water Conservation Fund priority listing.

KESTERSON REFUGE

Mr. Yates. All, right. I really have been interested in Kesterson, of course, for a long time. Tell us what the situation is there.

Mr. Horn. The situation on Kesterson is that we are proceeding with the contract the department executed with the Westlands District to plug the drains. Work is proceeding right now to have those drains plugged by June 30th, so contaminated drain water will no longer be flowing into the San Luis drain, and then, of course, on Kesterson.

In addition to that, we are presently working with the Bureau of Reclamation on developing a clean up program and preparing an environmental impact statement which will identify alternatives and different approaches for us to pursue clean up. I would expect that environmental impact statement to be completed, at least in draft form, by the end of this calendar year. We will then be able to select an appropriate clean up approach to deal with that particular circumstance.

In the interim, we are maintaining a hazing program to try to keep birds away from the ponds where we do have the contaminated water. But so far, there seems to be a high level of cooperation. I was at Kesterson two weeks ago with the refuge manager, and we are continuing to see that the work is progressing on this multiple group of fronts.

The drain will be closed, the hazing program will continue, and we are actively preparing EIS to identify the preferred clean up tactics.

Mr. Yates. When will the EIS be completed?

Mr. Horn. It should be by the end of this calendar year. Do we have an exact target date?

Mr. Yates. Mr. Blum should know, shouldn't he? Mr. Blum, when are you completing your EIS on Kesterson?

Mr. Blum. The EIS will be out in draft form in about forty-five days. The final is scheduled for the end of the calendar year.

Mr. Yates. Well, what is your relationship with the farmers around you on the question of water for the Kesterson?

Mr. Blum. In relationship with the Westlands?

Mr. Yates. Yes.

Mr. Blum. The situation is that they feel confident that they will have a——

Mr. Yates. "They" being?

Mr. Blum. They being Westlands, feel confident that within the next one to three years they will have a process that will allow the economical removal of selenium from their water to continue irrigating the lands and reopening the drain. With the farmers in the Grasslands, which are immediately adjacent to Kesterson and the other refuges, they are in a "wait and see" mode as to what water they can take, and what water they cannot take coming from the irrigated areas.

In addition, they get Central Valley Project water. We have additional water within the department that was negotiated last winter for the state and Federal refuges.

The community seems to have pulled together quite well down there with respect to water for the Grasslands. A couple of the districts sold water, at their cost, to the Grasslands, so those folks could have replacement for the drain water.

The Bureau and the state got together and are using the Grasslands as overflow area for flood waters from this last February's series of storms. The water is being obtained free, and delivered at a nominal cost from the state to the local districts, and the local districts are not charging anything to deliver water to Grasslands.

So, the issue, while not totally resolved, has in our opinion crystallized the community. They are bound together, and they are working together to accommodate the situation.

TIMEFRAME FOR CLEANUP

Mr. YATES. And how long will it take to clean it up?

Mr. BLUM. We won't know until the EIS is complete. We do not know, for Kesterson, what the preferred alternative will be. There is a wide range of potentials. There are some ongoing studies this summer that will give the department a range of alternatives that we can select from, and have varying costs, and various time frames for clean up.

Under the state order that was issued in February of 1985, we have to be cleaned up at Kesterson by February of 1988.

That is the target that we are shooting for.

Mr. YATES. Is that likely to be extended?

Mr. BLUM. I can't answer that. There is a lot of discussion about it. The department has indicated that we are using the 1988 target date for planning purposes, the EIS, and that is how we are proceeding.

It will be in the state process as to whether they wish to extend it or not extend it.

Mr. YATES. Really? You have no control over that?

Mr. BLUM. We have no control over whether they extend it or not.

Mr. YATES. But the Secretary closed Kesterson for a while, didn't he, while you tried to negotiate it?

Mr. BLUM. The Secretary made a decision last March, a year ago, to close the drain to water going into Kesterson.

Mr. YATES. Right.

Mr. BLUM. That is to be effective June 30th 1986. From the standpoint of clean up of Kesterson, that is under the Board order, and that has to be done by February of 1988.

Mr. YATES. That is under the state control then?

Mr. BLUM. Yes, sir. The actual clean up will be ours, Westlands, and the state that wants to share it. The timing constraints are those of the state. We feel confident that we will be able to meet them.

Mr. YATES. Well, have you had anything to do with the law suit that is pending by—Interior and Westlands?

Mr. BLUM. No, sir. That is the Bureau of Reclamation.

Mr. YATES. You don't have anything to do with that. Just indirectly, doesn't it affect the water coming from Kesterson?

Mr. BLUM. Yes. It would affect available Central Valley Plan water.

CONTAMINATION ON OTHER REFUGES

Mr. YATES. What about the other refuges in your region? Are they in good shape?

Mr. BLUM. Within our region, Mr. Chairman, we have seventeen of the refuges listed under the contaminant report that are in areas of concern from a contaminant standpoint.

Mr. YATES. Seventeen out of how many?

Mr. BLUM. Out of——

Mr. HORN. Eighty-four.

Mr. YATES. You have seventeen—or nineteen?

Mr. BLUM. We have twenty-five percent.

Mr. YATES. Twenty-five percent are in trouble.

Mr. BLUM. Twenty-five percent are on the list. Three of them are in Category A.

Mr. YATES. Is that the same as being in trouble?

Mr. BLUM. Three of them are in trouble.

Mr. YATES. Yes. One is Kesterson.

Mr. BLUM. One is Kesterson. Seal Beach and Johnson Atoll are the other two.

Mr. YATES. Do you include Grasslands when you say Kesterson?

Mr. BLUM. I do not include Grasslands. Grasslands is in Category B.

Mr. YATES. You know, we keep getting reports about how threatened Grasslands is too, from contamination.

Mr. BLUM. There is concern for Grasslands. It is in Category B. There are extensive studies started last year, continuing this year, and concluding next year, that will tell us precisely where we are with that.

The preliminary information is that we have selenium contamination within Grasslands. It is at less of a level than Kesterson. It is higher than the state area which does not receive drain water.

But we do not have definitive data as to what the impacts truly are yet. That is what the studies are going to tell us.

Mr. HORN. Going ahead, Mr. Chairman, we have a comprehensive effort going on in the entire Central Valley, because we not only have water quality problems in areas in Kesterson and Grasslands, but we also have continuing water quantity questions about making sure that we provide an adequate long-term supply of water so we can properly operate the refuges and optimize wildlife benefits and habitat.

We, of course, are presently working with the Bureau of Reclamation through the various contaminant studies and clean up programs to deal with the water quality side of the issue. Simultaneously, we are working with Reclamation, and conducting intradepartment negotiations on trying to secure a long-term water supply so we can solve the quantity problem as well.

Mr. **Yates**. Now, you said you had nineteen refuges that had contaminant problems. How serious are the contaminant problems?

Mr. **Blum**. As I indicated, the top three are serious. Two of them are with military waste sites. The other is Kesterson.

Mr. **Yates**. What is happening with respect to the two other than Kesterson?

Mr. **Blum**. The military is acting to clean them up. They are working identify the extent of the problem, and to undertake the clean up.

Mr. **Yates**. What is the nature of the contamination?

Mr. **Blum**. Johnson Atoll runs the gambit, including byproducts of Agent Orange. Seal Beach has a number of military-related drums that have been buried and that type of thing.

Mr. **Yates**. How quickly are they moving to clean it up?

Mr. **Blum**. Their time frame is about three to five years and they will have it done.

Mr. **Yates**. How many drums do they have to clean up?

Mr. **Blum**. I can't answer that.

Mr. **Yates**. Can you find out?

Mr. **Blum**. Yes, we can.

Mr. **Yates**. We would like to know about that. And this is on Seal Beach. What is the nature of the drum problem. What was contained in the drums?

Mr. **Blum**. Various chemicals associated with—some for—

Mr. **Yates**. You mean PCBs and things of that sort?

Mr. **Blum**. Yes. We can provide a listing.

[The information follows:]

Seal Beach NWR Contaminant Issues

As a result of a 1985 Resource Contaminant Assessment by the Navy, dumpsites containing toxic chemicals and ordance have been documented on Seal Beach NWR. These 25 dumpsites are the result of past military activities. Materials are believed to be confined to documented sites and include industrial solvents, battery acid, oil products, and explosives. Even though no harm has been demonstrated at these sites, corrective action was warranted because of the potential for harm. The Department of Defense (DOD) hired consultants to study the extent of the issue and develop clean up alternatives. The study is completed and clean-up about to begin. DOD paid for the study, and will pay all costs associated with clean-up and monitoring.

Mr. **Yates**. What about the other refuges in the nineteen. Three serious, the others have contaminant. Will they get worse if they are not cleaned up, or will they get better without any effort, or tell us what will happen?

Mr. **Blum**. Okay. Those in Category B are in situations like Grasslands, where we are trying to determine the extent and magnitude of the problem.

Mr. **Yates**. How many of those?

Mr. **Blum**. There are eight refuges in both Category B and Category C.

Mr. **Yates**. No Category A. Other than the three.

Mr. **Blum**. No, there are not.

Mr. **Yates**. Are you required to make any expenditures in connection with cleaning them up?

Mr. **Blum**. We are negotiating within the department now on the agricultural problems as to how the cost sharing will be split between the Bureau and ourselves. With the others that we are talking about, we will be making expenditures necessary to determine what the extent is, and then——

Mr. **Yates**. Just for the studies.

Mr. **Blum**. Yes. The Grasslands study, I should indicate, is being fully funded by the Bureau of Reclamation.

Mr. **Yates**. They have more money than you have.

Mr. **Blum**. Yes, sir.

PACIFIC NORTHWEST REFUGES

Mr. **Yates**. What about the question of personnel. Do you have enough people for your refuges? Is fire a problem in your refuges?

Mr. **Blum**. Fire has been a minor problem. We have not had fires that were excessive. We have had a number of fires at Malheur and places in the Columbia Basin. At this point, Region I is not a major fire threat. We do have trained personnel on every station. We do have equipment on every station to deal with a fire situation.

Mr. **Yates**. Are there any other problems in your region that the committee ought to know about. Do you have enough money for your region?

Mr. **Blum**. We have enough money for fiscal year 1986. In fiscal year 1987, with the budget proposal as presented by Mr. Horn, we will be able to maintain resource outputs to the degree that the committee, and ourselves, and the public are interested in.

If we get cut deeper than that, you are going to start to affect operations.

Mr. **Yates**. In what way? You say ". . . to affect operations." How will they be affected?

Mr. **Blum**. Some stations may have to be closed. Some stations may have to be mothballed.

Mr. **Yates**. By stations you mean refuges, or areas within the—

Mr. **Blum**. I mean refuges.

Mr. **Yates**. You will have to close them. Give me an example?

Mr. **Blum**. Little Pend Oreille, in the State of Washington, operated by the state. Then we get into a relatively long list of stations that we would mothball if—depending upon the depth of effect.

As I said, if the proposal before you is enacted, we are not talking about that happening. If you go beyond that, then we are talking about operational curtailment. At that point, we will be talking about mothballing.

Mr. **Yates**. Five percent?

Mr. **Blum**. We would mothball some with a five percent reduction.

Mr. **Yates**. Do you have any questions involving health and safety that ought to be taken care of, other than contaminant?

Mr. **Blum**. Contaminants is the only area.

Mr. **Yates**. Do you have any questions involving health and safety of visitors?

Mr. **Blum**. No, we don't.

Mr. YATES. Any bridges that are dangerous, any dams?

Mr. BLUM. No, we don't.

LETTER FROM DR. SCHULTZ

Mr. YATES. I suppose this should be addressed to Mr. Horn. It is signed by Arnold Shultz, Professor, dated March 17, 1986, addressed to Mr. Trauger. Why Mr. Trauger instead of Mr. Blum and Dr. Hester and Mr. Horn?

Mr. HESTER. David Trauger is Director of our Patuxtent Wildlife Research Center, so it might relate to a research study.

Mr. YATES. It relates to Kesterson.

Mr. HESTER. We have some research studies being done at Kesterson.

Mr. YATES. They talk about another instance of the gag orders that have been notorious in connection with Kesterson. Are you gagging your people.

Mr. HESTER. No, we are not. I would like Mr. Smith——

Mr. YATES. Are your practices gagging any other people.

Mr. HESTER. Perhaps. I am not aware of it. Mr. Smith might respond to that specific issue.

Mr. YATES. Okay. Mr. Smith?

Mr. SMITH. I received a copy of the letter also. It has been taken care of. There is a lack of communication between the people in the field and Dr. Schultz. I have asked Dr. Trauger to respond to the letter. I haven't received his response. When I get it, if you would like to see it, I will——

[COMMITTEE NOTE.—Subsequent to the hearing, the Committee learned that Dr. Schultz's concerns had not been addressed satisfactorily at the time of the hearing. The Fish and Wildlife Service has now given Dr. Schultz the appropriate information.]

Mr. YATES. Well, we ought to know what is going on.

Mr. SMITH. I talked to the individuals involved two weeks ago when I was in Nevada, and I think it is a lack of communication.

Mr. YATES. Okay.

Mr. SMITH. There is no gag order.

Mr. YATES. No gag order. If we were to communicate with Dr. Schultz, you say they have handled it beautifully.

Mr. SMITH. Probably not.

Mr. YATES. How far do you believe it is taken care of.

Mr. SMITH. If you communicate with Dr. Schultz, I wish you would ask him to call me.

Mr. YATES. All right.

Mr. SMITH. Not that I want to.

Mr. YATES. You are always anxious to please your constituents, aren't you?

Mr. SMITH. Yes, sir.

Mr. YATES. All right, Mr. Blum. I take it that there is nothing else that you and I can talk about in connection with yours. There is nothing that you want to tell us that causes you concern.

Mr. BLUM. I think the issues that Mr. Horn raised, the water issue and the contaminant issue, have been adequately discussed.

Mr. YATES. I remember, didn't Mr. AuCoin raise some question with respect to some refuge near Oregon last year? Has that been taken care of?

Mr. BLUM. It was two years ago, and it has been taken care of.

CONTAMINANTS IN THE SOUTHWEST

Mr. YATES. No sweat, no sweat. Mr. Spear of New Mexico, do you have any problems that we should know about?

Mr. SPEAR. We have refuges on the list also.

Mr. YATES. How many?

Mr. SPEAR. There are eighteen refuges on the contaminants list. We have none in Category A, eight in Category B, and ten Category C's. The main problem in the region with contaminants on refuges is the agricultural chemicals, drain water on the refuges, or adjacent to the refuges, or upstream, which are potentially contaminant problems. We are looking at some of those to the extent that we can, starting with the Category B refuges.

We are also involved in the inter-departmental irrigation study. Final negotiations on how those studies are to continue have not been completed, but they will examine the problem on two of the areas, the lower Colorado River, and the lower Rio Grande Valley.

Mr. YATES. These are contaminant problems?

Mr. SPEAR. Yes, sir.

Mr. YATES. How do you find out if there are contaminants in your refuges? Do birds die, or what?

Mr. SPEAR. It is a combination of things. Most of these refuges were put on the list as a result of monitoring programs that were conducted over years. These gave us an indication, or started us looking, and as we have resources available, we have continued to try to find out exactly what contaminants are there. But it is terribly time consuming and expensive, and the analytical work that follows the sampling is consuming all of us in the Service.

We have a tremendous backlog of work to be done, and we don't have the capability to keep up with the sampling.

Mr. YATES. What does that mean, Mr. Spear? If you have a backlog of the work to be done. Tell me what the process is? You have a sample of the water, you send it some place for testing?

Mr. SPEAR. I will give you very recent one. We just got some results from the lower Gila River, which is a tributary of the Colorado River running right about the Mexican border, from Phoenix on down to Yuma.

We collect the samples, in this case they were turtles, carp, black birds, quail, and sediment samples. We send them to various labs, and are looking at organo chlorines, or organo phosphates, heavy metals, metals including selenium, and so we have a collection of these samples. They go to three different labs.

Mr. YATES. Three different Fish and Wildlife Service labs, or private labs?

Mr. SPEAR. Well, in this case, we contracted with Mississippi State to do the organo chlorines. We have gotten the results back from them, but we haven't gotten the results back from the other labs. The Service as a whole has a one to two year backlog to be analyzed. So even though we can identify problems, and we can go in and get samples, and even though we usually get good cooperation from the state and the EPA that collect these samples, we send them to labs, and we simply don't have the capability.

Mr. YATES. Of doing what?

Mr. SPEAR. Of getting them processed. Each sample may cost a hundred or two hundred dollars to test for a specific thing. When you do a study, you are easily up into the $50 thousand range for that one little study.

I made a comment to somebody not too far back that I think is basically true. The Fish and Wildlife Service alone has probably just about swamped the lab capability in the country with the contaminant residue now, because we are really expanding our efforts. We have found there is a bottleneck in the middle of the process.

Mr. YATES. What should be done about it?

Mr. SPEAR. I would hope that the private sector would see an opportunity out there, and develop the lab capability.

Mr. YATES. How about the universities?

Mr. SPEAR. That would be excellent. As I said, Mississippi State is one. It is hard to find a good lab.

Mr. YATES. You mean Texas doesn't have them?

Mr. SMITH. Mississippi State has a contract with us. We are sending the samples to Mississippi State to do it.

Mr. YATES. Why don't you send them to other places?

Mr. SMITH. The other facilities have not been willing to bid on our contracts and there aren't that many facilities that we can rely upon.

Mr. YATES. Is there any way we can develop them?

TESTING OF SAMPLES

Mr. HESTER. Mr. Chairman, I would like to tell you a little bit about what we are doing overall, and have Mr. O'Connor add to that.

We have been concerned about contaminants in the environment for a long time, as you know. We have been conducting a general, overall monitoring program of contaminants across the country at various sites.

From that, we have been determining trends in contaminants. More recently, as we have discussed with this committee, we have been looking at hot spots across the Nation, places that we have reason to believe there might be a contaminant problem.

There are places such as estuaries, for example, that get drainage from heavy industrial areas, or agricultural areas.

So, in various ways, we are able to identify areas that are likely to be contaminant prone. And as Mr. Spear and Mr. Blum have pointed out, we sample those areas, and analyze the samples. The potential for samples is great, in the sense of thousands and thousands of samples.

It is relatively easy to take a sample; it is much more difficult to analyze it and even more difficult sometimes to interpret what it means. But what we have done is tried to; first, increase our own capability, and second, increase the capability as you indicate, across the nation to draw on the resources of other people.

One of the difficulties is getting quality control. It is one thing to send a sample to somebody and get an answer back, and a second thing, totally separate from that, to know how reliable the information really is.

Several years ago, our Patuxent Wildlife Research Center, in doing this very thing, sent out known samples.

That is, they took some samples and sent them out as part of the bidding process in this analysis work. So, if you owned a company, and you wanted to bid on this, you would have to tell us what is in the sample as part of your bid. You have to answer both how much it would cost you to analyze it, and what is in the sample?

We were disturbed about what we got back in the sense of the analysis. This led us to believe there are very few places in the country that could provide analyses sufficient for our purposes of reliability, so that is one of the things that has somewhat slowed the process.

But we have that kind of quality control. We have been building that capability, and I think we will be able to solve the kind of problem that Mr. Spear mentioned. I think collectively, across the Nation, we may never be able to analyze all the samples somebody would like to have analyzed, but we will certainly be able to analyze a large number of samples, in the thousands a year.

Mr. YATES. And how much does the Fish and Wildlife Service spend on the sampling process?

Mr. HESTER. I might ask Mr. O'Connor to help me on a figure there.

Mr. O'CONNOR. Mr. Chairman, right now we spend about $1.749 million——

Mr. YATES. One million dollars. It seems to me we are spending a lot more than that.

Mr. SMITH. That is for operations.

Mr. O'CONNOR. That is for operations.

Mr. HESTER. We are also doing contaminant research, which is in addition to the figure mentioned.

Mr. YATES. How does it happen that Mississippi State has been selected?

Mr. HESTER. Mr. Smith?

CRITERIA FOR TESTING

Mr. SMITH. It went out on bids to find organizations that could meet the criteria we had established. Mississippi State was one of the organizations that could meet the criteria. Therefore, we let a contract with them to process the samples.

We have another contract with a private company in Columbia, Missouri. They are the two contracts we have at the moment.

The Patuxent Center serves as a clearing house for the samples coming in from the field. They determine what analysis should be done by the contractor, and whether the work should be completed inhouse.

The backlog is at Patuxent because of the volume coming in—the volume going out is less than the volume coming in.

Mr. YATES. I just find it so difficult to believe that there are only two places in the country, really.

Mr. **Whitten**. Mr. Chairman, pardon my interrupting. I would like to say that they are just showing good judgment.

Mr. **Yates**. Mr. Chairman, I was acting as a straight man. But I find it hard to believe that there are only two places in the country that qualify to conduct the kind of test you need.

Mr. **Smith**. In the last process we went through, we sent out information to more than fifty companies.

Mr. **O'Connor**. I think six responded. I think of the six, we got one that was qualified.

Mr. **Yates**. What about the colleges? What about the universities?

Mr. **Smith**. They didn't respond.

Mr. **Yates**. Did you send it out to the universities?

Mr. **Smith**. It goes out on a Request for Proposal.

Mr. **Yates**. Why do you think they wouldn't respond?

Mr. **Smith**. I think probably their standards are not high enough, so they don't want to take a chance in trying to meet our standards.

Mr. **Yates**. Is the amount you pay them inadequate?

Mr. **Smith**. It is the standards, not the money, I would guess.

Mr. **Yates**. All right.

Mr. **Smith**. I would guess it is the standards. Put it that way.

Mr. **Yates**. Well, with the introduction that we have of Mississippi State, the committee is honored to have our big chairman here this morning. He has a problem, which I think is national in scope, but which is centered in Mississippi.

Mr. Chairman, you may proceed.

Mr. **Whitten**. Thank you, Mr. Chairman. I appreciate it, and I trust this will be put in an appropriate place in the record. I appreciate the invitation.

REGIONAL OPERATION

We have been disturbed some time. You know, as Chairman of the Appropriations Committee, I feel an obligation to the whole country. Now, the Fish and Wildlife Service is a national operation, but it looks like you might as well become a regional operation.

You want to divest yourself of any activity in Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, and Mississippi. You want to abolish six fish hatcheries.

Now, you know the American people are entitled to get something for their money. We have a recommendation that we have user fees for everything in sight. Well, they are supposed to pay taxes for what is enjoyable and available.

In our own hearings, each year the Office of Management and Budget sends down here reduced budgets because the rest is coming from user fees. In most years, they can't even get anybody to introduce the bill for user fee.

And I appeared before you regularly, and I have visited, and I don't mind it. I enjoy being down here with my friend from Chicago and members of this committee have been very good to me, and I enjoy working with them here and elsewhere and all this, but it is upsetting to the operations each year for you to come in to abolish; fish hatcheries, six of them, out of all you got, out of Alabama, Arkansas, Florida, Georgia, Kentucky—are we going to say Fish and Wildlife Service for the remaining states, and leave out these? Are you a national operation.

Mr. Yates. It is a war between the states, Mr. Chairman.

Mr. Whitten. Your justification says, and I quote: The Service recognizes fish stocked in these private waters provide a significant contribution to recreational fishing for the residents of the states involved. However, such stocking is not consistent with identified Federal fish responsibilities, and clearly does not constitute a Federal obligation.

Have you been reading the records of Congress in handling this issue each year? Are you familiar with what Congress has done in making this a Federal responsibility, and giving you money for them? What makes you continue to do this? I think I should take it up with the Secretary, and see if the Interior Department, particularly the Fish and Wildlife Service, wants to be a regional activity. If you do, we can put this over with aquaculture which is going like nobody's business in these southern states, but I hope it will never find me saying: Well, that is in such-and-such a state.

I have been active for Bonneville Power, the irrigation, for those things that affect Alaska, and that is what you are supposed to be, and if you don't believe that the Congress thinks that, read the record.

Now, what justification do you have for striking out these six. I would like to know.

Mr. Horn. Mr. Chairman, it is not an effort to regionalize the Service in any manner, shape, or form.

Mr. Whitten. Well, maybe that is not the effort, but that is the effect.

FISHERIES R&R STATEMENT

Mr. Horn. Well, what has really happened is that this past year we adopted this new Fisheries Role and Responsibilities Statement that we have been working on for some time.

Mr. Whitten. You adopted it. Did the Congress approve it?

Mr. Horn. Not yet. We are working——

Mr. Whitten. Well, don't you think you should wait until Congress approves it before you cut these things out?

Mr. Horn. This is a mere proposal to Congress, and obviously we are bringing it up here for your——

Mr. Whitten. Do you want to be national, or do you want to be regional. I will be glad to help you, whatever you wish to do.

Mr. Horn. We prefer to be national. That is the strong intent.

Mr. Whitten. May I ask you to act national. I want to point out, we named this Private John Allen and, if you haven't read his speech on the fish, you should.

Mr. Horn. Yes, I have.

Mr. Whitten. One of the highlights, among other things, he said Tupelo, Mississippi, is the center of the universe. You can stand on the courthouse ground, and the horizon is the same distance any way you look. We named it that so that we might get you to leave these things alone.

Now, there are so many people in the country that don't get much for their tax dollar. But there is a whole lot, from high to low, that participate in these. It is as popular as can be, not just us, but all of them down there, and the people should get something for their tax dollar, and I hope you will review this.

But if, by chance, you don't wish to, I wish you would study it, and with result of a change in jurisdiction, so that we will have somebody who appreciates these things.

Your statement seems to appreciate it, but you don't want to divest yourself of one, two, three, four, five,—seven states. Do you want to do that?

Mr. **Horn**. What we were hoping was that in many cases we have worked successfully with states to have them take over some of the hatcheries and operate them.

Mr. **Whitten**. Why do you pick on my region?

Mr. **Horn**. We have basically, in the last three years, transferred a total of eighteen hatcheries to states——

Mr. **Whitten**. May I say this. In my state, the state legislature has just recessed, or just adjourned, and they are having a terrific job to carry on the state's problem in view of Gramm-Rudman and sundry other things.

Unfortunately, in many respects, all of the cities in our area cross the line in adjacent states. They give us a limited tax base in which to carry on activities, and as I pointed out in the early days of this country when they had colonies, they left each state. Just about everything that you can see that had been worthwhile has been Federal. That is the reason it has succeeded. The reason I mention this, I get all sorts of letters where folks in operations don't know what to expect, and do appreciate the fact that you didn't send out notices, which upsets the local operations.

I am serious when I say that if you wish to divest yourself of these, take care of it until we do, and I think you have legislation pending now, and if it should be transferred to Agriculture, which is growing by leaps and bounds in this whole area, and I hope that we go ahead. I think you should be national, but I do think if you are going to be national, you should quit acting regional.

Thank you very much, Mr. Chairman.

Mr. **Horn**. Thank you, Mr. Chairman.

Mr. **Yates**. Shall we give them equal time?

Mr. **Whitten**. Oh, no. There is no other side to it [Laughter]—I don't think he would differ with me. I would be surprised if he did, Mr. Chairman.

[Laughter.]

Mr. **Yates**. All right. We were with Mr. Spear, and Mr. Spear was telling us about the problems of getting his tests analyzed. And that's a big problem apparently.

Mr. O'Connor points out that you can't get anybody to do the work for you.

RESEARCH EQUIPMENT

Mr. **Smith**. There is one item in the budget that will help the situation. It is buying equipment that is used in part to do this kind of work.

Mr. YATES. What are you going to buy it for, Patuxent?

Mr. SMITH. Both Patuxent and the Columbia, Missouri Laboratory.

Mr. YATES. There are two laboratories?

Mr. SMITH. These are the two where this work is being done.

Mr. YATES. Yes.

Mr. SMITH. In addition to that, the agency has developed better capability at Patuxent, so I think within the year, we will get a handle on most of it. But as Dr. Hester says, we will never get to the point where we can do all the samples that people send in.

So, I think there is light at the end of the tunnel.

Mr. YATES. Because you are buying new equipment from these two places. Isn't it that the universities don't have the equipment you are buying?

Mr. SMITH. I can't speak entirely for them. I think part of it is they don't have the equipment, they don't have the wherewithal, and they can't meet the standards that we are trying to set.

I think if the demand gets high enough, you may see others come into the——

Mr. YATES. But you've got the demand, haven't you?

Mr. SMITH. We are talking 40 thousand——

Mr. O'CONNOR. We estimate, Mr. Chairman, that we have a potential of 47,000 samples for analysis this fiscal year.

Mr. YATES. That's a big demand, isn't it?

Mr. O'CONNOR. Yes, sir. And the full capacity of all of our laboratories, including our contract labor, is about 16,500. So, we have a demand for about three times what we are able to deliver.

Mr. YATES. Plus the fact, that if you have your studies and are determined to act on the studies in order to enforce a cleanup, the people against whom you are going to try to enforce it will have to have their studies, too, won't they?

So, you've got about double the——

Mr. WHITTEN. Mr. Chairman, I didn't come back for an encore. I forgot my books.

PRIVATE JOHN ALLEN

Mr. YATES. You don't have another Private Johnny Allen story?

Mr. WHITTEN. No, one is enough.

[Laughter.]

Mr. YATES. Okay. Is there any book on Johnny Allen?

Mr. WHITTEN. Oh, yes.

Mr. YATES. Have you got it in your library?

Mr. WHITTEN. I think I have it, yes.

Mr. YATES. I would love to read it. Tell them about the general. Tell them about his running for office against a candidate who was a general.

Mr. WHITTEN. Well, his name was Private John Allen, and he was really recognized as a great wit and humorist, nationally. And when he was in Congress he devoted lots of time to that.

This is the story of how he got his name. He ran against a general, and the general ran on his Civil War record, and Allen got up and said the general was telling you about his service in the war. I was one of the privates that watched over him while he slept. And all you folks that were generals vote for him, but those who were privates that watched after him, vote for me. That's how his name got started.

[Laughter.]

RESEARCH EQUIPMENT

Mr. **Yates**. Well, now you have got present equipment at service laboratories that's substandard. The age of the equipment makes it extremely difficult to maintain.

The justification says:

> The down time on one of the machines is already in excess of 65 percent. Average life expectancy of this equipment is five to seven years. The equipment is 10 to 14 years old.

Why don't you ask us to replace it?

Mr. **Smith**. We are. That's what we have done.

Mr. **Yates**. Okay. Fine. But why didn't you do it last year? I should go back to Mr. Blum and Mr. Spear and find out what they had stricken from their request, shouldn't I?

Mr. **Smith**. Are you asking why wasn't it asked for last year?

Mr. **Yates**. All right. That's the point. That Service laboratory, how many laboratories do you have, just the two?

Mr. **Smith**. We have three laboratories doing this kind of work. But there are two principal ones.

Mr. **Yates**. Okay.

Mr. **Smith**. One is——

Mr. **Yates**. Okay. Three laboratories doing work. And is it true that in all three of them the equipment is obsolete?

Mr. **Smith**. No, it is not. What we have done here is ask for resources to replace two major pieces of equipment that have—that are functioning but are at the point where we have to replace them.

Mr. **Yates**. You want $900 thousand for it?

Mr. **Smith**. That is right.

Mr. **Yates**. All right. I think you have got a pretty good case for it.

Mr. **Smith**. There is also similar equipment at the laboratories that is relatively new. In fact, we did buy equipment last year to put at Patuxent to address some of these issues.

I guess what I say to you is that we are slowly getting a handle on it. I think within a year, we will have a reasonable expectation to meet Mr. Spear's needs, but I don't think we will ever be at the point where we can look at every sample that is sent in.

Mr. **Yates**. How much of a factor is time?

Mr. **Smith**. Do, you mean between the time you get the sample if you have the equipment?

Mr. **Yates**. Yes.

Mr. **Smith**. It depends on what you are looking for.

Mr. **Yates**. I'm talking about the equipment.

Mr. **Smith**. Oh. I think as soon as—if indications are——

Mr. **Yates**. The sooner you get it, the better?

Mr. **Smith**. As soon as we get the resources, we will have the equipment within six months.

Mr. **Yates**. Why don't you reprogram some of the money to get the equipment earlier?

Mr. **Smith**. I don't think the equipment needs are that important to give up some of the other activities that I'm responsible for in research.

Mr. **Yates**. Well, you seem to be saying that you don't have enough money for your research.

Mr. **Smith**. I didn't say that. I said the other——

Mr. **Yates**. I thought I was reading between the lines.

Mr. **Smith**. The other areas that we are doing research in are important. I think we can get through the next six months or a year with the current equipment——

Mr. **Yates**. Why don't you ask for a supplemental?

Mr. **Smith**. I will have to field that question somewhere else.

Mr. **Yates**. Did you ask for this last year? I don't mean before the committee; did you ask the department for it last year?

Mr. **Smith**. It was in my request for the Fish and Wildlife Service.

Mr. **Yates**. It was stricken out by OMB——

Mr. **Smith**. I don't know.

Mr. **Yates** [continuing]. Somewhere along the line?

Mr. **Verburg**. It was stricken out later in the budget.

Mr. **Yates**. How did you get it this year?

Mr. **Smith**. We appealed to them the way we are appealing to you.

Mr. **Yates**. Ah.

Mr. **Horn**. This year, Mr. Chairman, the Secretary's guidance to the Fish and Wildlife Service established the whole contaminant issue as a high Secretarial priority, hence we got this $2.5 million request for the contaminant issue in general.

Mr. **Yates**. I think that's a very good point. What else do you need to deal with the contaminant issue besides two machines?

Mr. **Smith**. In a sense, in research there is another item in the budget which deals with contaminants related to estuarine areas.

Mr. **Yates**. Okay. What I'm getting at Dr. Smith——

Mr. **Smith**. It's Mister.

Mr. **Yates**. What I'm getting at is, what did you ask for that was stricken out?——

Mr. **Smith**. In the contaminant area?

Mr. **Yates**. Yes. I'm sure that——

RESEARCH FUNDING DELAYS

Mr. **Smith**. The item that was not stricken but reduced in the contaminant research area was the $320 thousand item on effects of contaminant in estuaries. It was reduced from $1 million to $320 thousand.

Mr. **Yates**. Now, why did you ask for them and why were they stricken out?

Mr. **Smith**. I can't answer the question about why it was stricken out, but the result of the action causes us to work in one place versus two or three.

Mr. **Yates**. Well, you lost $3 million during the course of the budget process, right?

Mr. SMITH. Research did?

Mr. YATES. Yes. It says Research asked for $16.628 million of the department. The department knocked off $120 thousand. And OMB knocked out another $3 million.

Are my figures right, Mr. Budget Officer?

Mr. VERBURG. Yes, sir, they are.

Mr. YATES. All right. What did you lose, Mr. Smith?

Mr. SMITH. We lost $500 thousand for acid rain research.

ACID RAIN RESEARCH

Mr. YATES. Well, why would you lose that? I thought I saw some kind of a big meeting between Prime Minister Mulroney and President Reagan saying: We are going forward with acid rain research.

How come you lost that?

Mr. SMITH. Mr. Horn can answer that.

Mr. YATES. Mr. Horn, how come you lost that?

Mr. HORN. That decision was made prior to the President's announcement.

Mr. YATES. Ah. Well, are you asking for it in a supplemental?

Mr. HORN. No. That money related to a mitigation study started last year. In other words, where you have got an acidity problem established in a lake, what steps can you take to mitigate and deal with that, basically lake liming and such.

The study continues for several years. What the reduced funding does is basically string out the time that we have for assessing the data and coming up with the conclusions as a result of the mitigation.

Mr. SMITH. I agree with the reduction in the acid rain area. I think Mr. Horn's explanation is exactly what should happen.

The other reduction was from $1 million to $320 thousand for the contaminant issues in estuarine areas. That——

Mr. YATES. You don't agree with that?

ESTUARINE AREAS

Mr. SMITH. The result of that will restrict our activities to one area, instead of perhaps two areas. We will get the same kind of answers, same kind of information, but we will have it in one specific geographical area.

Mr. YATES. Where were you proposing to do the study?

Mr. SMITH. We haven't finalized it entirely, but we are thinking about working in the Gulf area, either Mobile Bay or Galveston Bay. The primary reason those areas are being considered is that we feel coastal estuarine areas and rivers where they end at the ocean are where pesticides will accumulate, and the south is a high agricultural area.

We think that if we work in an area where there is a high agricultural runoff, we will show some activity versus one in, say, New England.

The final determination has not been made.

Mr. YATES. What's the nature of that study? Do you sample the waters of the Gulf?

Mr. SMITH. No. It's sampling the sediments within the estuarine areas.

Mr. Yates. Is that because of the fact that wildlife and fowl and so forth concentrate there——

Mr. Smith. That is right.

Mr. Yates [continuing]. And that's their feeding ground?

Mr. Smith. Right. And it is to learn what contaminants are there, how the contaminants accumulate, how they are picked up by fowl and fish and ultimately what one can do about them.

Mr. Yates. And what was the nature of the appropriation you wanted to carry on that study? Does this require the purchase of the machinery?

Mr. Smith. No, it does not.

Mr. Yates. And where was the second estuarine area?

Mr. Smith. Well, the areas they are thinking of——

Mr. Yates. You are moving forward with one now. Do you have enough money for one?

Mr. Smith. I believe so.

Mr. Yates. Well, what was stricken out, then?

Mr. Smith. Well, what has happened is that the scope is reduced so we have to concentrate on one. Other areas that one could look at would be the Chesapeake Bay, Charleston Harbor in South Carolina, Boston Harbor in New England.

Mr. Yates. There is a big clean up campaign going on in Chesapeake Bay. Are you a part of that?

Mr. Smith. Indirectly.

Mr. Yates. What do you mean by indirectly?

Mr. Smith. We have some research studies in Chesapeake Bay, but they are not related to that actual clean up.

Mr. Yates. What are your studies related to?

Mr. Smith. May I look at my notes here?

Mr. Yates. Yes. Look at anything that will help you.

[Laughter.]

Mr. Smith. Essentially we are doing monitoring studies to determine whether populations of waterfowl and raptorial birds and some of the shore birds are declining or increasing.

Population status work is what it is.

Mr. Hester. Mr. Chairman, it might be of interest to you that in addition to the ongoing activities that we've had for a long time in the Fish and Wildlife Service, including some recent increases over the last couple of years, this year we are proposing about a $2.2 million increase specifically for contaminants, including that $900 thousand of equipment in our Habitat Resources Program.

This is in addition to funds used in an operational sense around the Nation to look at places that are suspected as being contaminant prone. We have in there the $900 thousand for the equipment. We have $320 thousand to emphasize additional estuarine areas that we suspect as being contaminant problems. We also have an increase in field operational funds, $257 thousand for point and non-point discharge areas, and $697 thousand for contaminant impacts.

This is at a time when our total budget has been reduced about $70 million. We are emphasizing and increasing contaminants to this extent.

Mr. Yates. Well, your Resource Management, Dr. Hester, seems to me to be suffering under these budgets. Look at the figures here.

RESOURCE MANAGEMENT FUNDING HISTORY

Resource Management starts out with a request of the department of $52 million, cut by almost a million dollars, and then OMB cuts it by another $2 million. Then, you look at wildlife, and that's Habitat Resources. It starts with a request for $158 million, it's cut by the department by a million dollars, and lo and behold, OMB cuts it by $30 million.

Fishery Resources is cut by another $3 million by OMB. But that's a huge cut in Wildlife Resources. Population Management is the big one. You got transferred over, but what is the agency budget that was transferred?

Mr. VERBURG. Our budget that was transferred was $19.5 million.

Mr. YATES. But you lost some more money, Mr. Smith, up in Habitat Resources. You lost a million dollars up there, too, didn't you?

Mr. SMITH. Between what the department sent in and what we got back, we lost $500 thousand plus $680 thousand.

Mr. YATES. How do you arrive at that? I look at these figures and it shows that you lost a million dollars under Habitat; you lost $3 million under Wildlife Resources, and you lost another million under Fishery Resources.

Mr. SMITH. I thought you just said Habitat.

Mr. YATES. Yes, Habitat lost a million dollars.

Mr. SMITH. We made a lot of gains, too. The 1987 budget, as submitted——

Mr. YATES. But these are supposed to be net figures. What do you mean by gains?

Mr. SMITH. From where we were in 1986, the 1987 budget, as submitted by the Fish and Wildlife Service, has about 40 percent of the total oriented to research. There have been a number of gains made in the research program under this budget.

There have been some reductions between the time it went from the department to the OMB. But, overall there is a positive tone in the budget.

Mr. YATES. Are you saying that the other activities in the Fish and Wildlife Service were cut more than you were? Is that what you are saying?

Mr. SMITH. That's what you are saying.

Mr. YATES. Yes. But isn't that true, though?

Mr. SMITH. In some areas.

Mr. YATES. I thought that was the effect of what you were saying, that you weren't hurt as much as the others were. That's what I thought you were saying.

Mr. SMITH. In fact, the research part of the Fish and Wildlife Service came out ahead, way ahead, in this budget submission to you. The only area——

Mr. YATES. Came out ahead of whom?

Mr. SMITH. Of where research was in 1986.

Mr. VERBURG. Mr. Chairman, if I can give you a couple of examples.

Mr. YATES. Yes.

Mr. Verburg. In fiscal year 1986, the budget enacted for Research and Development under Habitat Resources was $15.467 million.

Mr. Yates. This is what, after the first Gramm-Rudman cut?

Mr. Verburg. Yes, it is.

Mr. Yates. Wait a minute now. Fifteen million dollars, what? In other words, you are struggling now to come back, aren't you, after those cuts?

Mr. Verburg. After the Gramm-Rudman level, it was even less, $14.802 million. And the request to you under Habitat Resources, R&D, is $16.028 million.

Mr. Yates. All right. Let's go down to Wildlife Resources.

Mr. Verburg. After Gramm-Rudman, it's $10.671 million. The request to you under Wildlife is——

Mr. Yates. $13.060 million.

Mr. Verburg. $13.060 million, yes.

Mr. Yates. All right. And then what about——

Mr. Verburg. Fishery Research, after Gramm-Rudman, was $11.605 million. And our request to you is $11.259 million.

Mr. Yates. That's slightly less. Well, Gramm-Rudman really laid a heavy hand on you, didn't it, Mr. Smith?

Mr. Smith. No more so than anybody else, because it was all taken across the board.

Mr. Yates. OK. Let's go back to Mr. Spear. Mr. Spear, I think maybe the committee will give Mr. Smith the equipment he wants, so that perhaps you can get some of your samples analyzed a little bit more quickly.

SENECAVILLE HATCHERY

Mr. Regula. Mr. Chairman, I want to get a couple of things in. Thank you, Mr. Chairman. I note that your budget proposes closing or transferring to state operation several hatcheries, and in the past Senecaville moved off of that list, and I understand Chairman Whitten had one earlier this morning.

However, I would like to at this point in the record insert a letter from the State Director of the Ohio Department of Natural Resources requesting the transfer of Senecaville to the State of Ohio. I assume you are aware of this.

[The information referred to follows:]

ODNR
OHIO DEPARTMENT OF
NATURAL RESOURCES

Fountain Square
Columbus, Ohio 43224
614/265-6875

March 11, 1986

The Honorable Ralph Regula
U.S. House of Representatives
2209 Rayburn House Office Bldg.
Washington, D.C. 20515

Dear ~~Congressman Regula~~ Ralph:

Since becoming Director of the Ohio Department of Natural Resources this past year, I have learned much about the concerns of Ohio's sportsmen. A major concern of Ohio's one million licensed fishermen is the need to improve fishing at most of the inland lakes throughout the State. Fish stocking is not a cure-all for our fisheries problems, but it is a very important and necessary part of the Division of Wildlife's fish management program.

During the early 1980's, the U.S. Fish and Wildlife Service gave the Department of Natural Resources the opportunity to assume operation of both the Hebron and Senecaville federal hatcheries here in Ohio. Although the Hebron facility was accepted, the Senecaville Hatchery was not.

We would now like to reconsider the transfer of the Senecaville facility to the Department of Natural Resources. This additional hatchery would help the Department meet the increasing demand for improving fishing in the State.

Could you investigate the feasibility of a transfer in 1986? I believe your assistance would greatly benefit this initiative.

Sincerely,

Joe Sommer

JOSEPH J. SOMMER
Director

JJS:ksl

cc: J. Piehowicz
Regional Director, USFWS

MAR 20 1986

Richard F. Celeste, Governor · Lt. Gov. Myrl H. Shoemaker, Director

Mr. Regula. What would be the cost savings in fiscal year 1987 if we do this?

Mr. Hester. We are receptive. We are interested in the proposal that has been made, and we will be communicating with them.

Mr. Regula. How much would you save if you were to do this in your fiscal year 1987 budget?

Mr. Verburg. Mr. Chairman, it is $156 thousand.

Mr. Regula. Okay. How quickly could this be transferred, and do you need any additional authority to do so?

Mr. Hester. It would take a few months, and I don't think we need any additional authority, unless——

Mr. Kutkuhn. I don't foresee any impediments, sir, to the transfer efforts.

Mr. Regula. Are there any costs associated with the transfer to the State of Ohio?

Mr. Kutkuhn. Potentially so.

Mr. Regula. In terms of compensating people who might be displaced as a result of the action?

Mr. Hester. But the costs would not be to the state.

Mr. Regula. A one time—as you move people out of the——

Mr. Kutkuhn. The likelihood, however, is that we would reassign those people elsewhere in the system.

Mr. Regula. I think probably, for the record, I need an answer on this. Is there any maintenance that is currently needed at Senecaville, and if so, about what would the estimated cost be?

Mr. Kutkuhn. The facility, as I understand, is in pretty good operating condition. This does not mean that there would not be some residual maintenance needed. We would have to identify those needs for the record.

[The information follows:]

Maintenance Needs at Senecaville National Fish Hatchery, Ohio

The following maintenance and equipment replacement projects are pending at the Senecaville National Fish Hatchery, Ohio:

Replace and bury 12-in main water supply line from Senecaville dam to the hatchery (approximately 1,000 ft)	$37,000
Replace 2 flow meters on 12-in main water supply line	29,000
Blacktop service roads and visitor parking area	31,000
Replace garage doors, rewire buildings, replace nonskid flooring, replace pond screens	22,000
Replace feed cart, fish pump, distribution tank, lawn mower	47,000
Total estimated cost	166,000

Mr. Regula. Are there any environmental problems at Senecaville that you are aware of?

Mr. Kutkuhn. Not that I am aware of.

WETLANDS LEGISLATION

Mr. Regula. I have some questions for the record. But one other one. What is the status of the emergency wetlands legislation that you mention in your original testimony?

Mr. Horn. We are presently negotiating with both authorizing committees in the House and the Senate. We have proposed to the authorizing committees a comprehensive, administration-endorsed alternative, and have been conducting a series of meetings involving committee staffs, members, and interested constituency organizations; Sierra Club, Audubon, International Association of Fish and Wildlife Agencies. All this is in an effort to see if we can produce a consensus package that everybody can support, and we hope that we can persuade Congress to pass it expeditiously.

Mr. REGULA. Thank you.

Mr. YATES. We will go vote and come back.

[Recess.]

Mr. YATES. Mr. Reporter, show the hearing has come to order. Mr. Spear, I think you raised a very important point about the problems you have on getting your tests and what we can do to help.

I kind of wish that we had known about this earlier so that we might have made some provision of it in the supplemental bill, but I think it is too late now. Maybe you can do it in the Senate.

I am told that the Geological Survey is also doing work in some of the estuaries. Is this duplicative, or is there something you have correlating their work, or are they correlating yours, or is it entirely different? Who should I ask?

USGS ANALYSIS IN ESTUARIES

Mr. HESTER. I think Hal O'Connor can help us with that.

Mr. YATES. Okay, Hal O'Connor.

Mr. O'CONNOR. Mr. Chairman, the Geological Survey is not only working with water, they do analysis for the most part on water and some sediment samples.

Mr. YATES. I thought that is what you were doing.

Mr. O'CONNOR. Our specialty is tissue samples.

Mr. YATES. It is what samples?

Mr. O'CONNOR. It is tissue samples. We do some water and sediment samples, but mainly the problem that we have been discussing is those laboratories that are qualified to work on tissues.

Mr. YATES. All right. Have you completed your response. You were cut a million dollars, and you said that your research was estuarine research. And you would like to do another one to supplement the one that you were going to do in the Gulf. Is my memory correct on that?

Mr. SMITH. No. What I said was the original request would have allowed us to do studies in other areas. We will still get the procedures, the answers, the processes developed in one area. They will have relevance in the Gulf area. They may or may not have some relevance in the Northeast because of the differences in temperatures, difference in sediment loads, and so forth. The answer to the question is, given a million dollars, we could do comparable things in two areas.

RESEARCH IN CHESAPEAKE BAY

Mr. YATES. What can you do to help the Chesapeake Bay, if you had the money, and how much money would you need? Is Chesapeake Bay another estuarine area?

Mr. SMITH. It is one of the areas we can work in. We are now currently spending roughly $180 thousand on research in Chesapeake Bay. It is some of the kinds of work we are talking about in a major effort in an estuarine area.

We are trying to determine the effects of contaminant loads on waterfowl and fish where river systems come into the Bay. This is a small part of the clean up process of the States of Maryland, Virginia, Delaware, Pennsylvania, and what the Federal agencies are doing in terms of cleaning up Chesapeake Bay.

Mr. **Yates**. All right.

Mr. **Hester**. Mr. Chairman, we also have other components of the Fish and Wildlife Service working on the issue of Chesapeake Bay clean up.

GRAMM-RUDMAN-HOLLINGS IMPACT ON RESEARCH

Mr. **Yates**. All right. What was the effect of Gramm-Rudman on research? You are asking for more money than you received in 1986.

Mr. **Smith**. First of all, we took the reductions across the board.

Mr. **Yates**. Right.

Mr. **Smith**. In the various areas I have to deal with, endangered species, habitat, wildlife, fisheries, and cooperative units, because of increases we received in 1986, through Congressional add-ons primarily, the two areas that are affected the most are the cooperative units and the habitat area. The one that we are currently talking about.

The reductions will not result in closing of field stations. They will not result in the dismissal of employees, but they will delay the hiring of people and they will delay some of the work being completed.

I would say ninety-five percent of the work will be completed. There will be some reduced efforts in wildlife disease work. There will be some reduced efforts in contaminant sampling. Overall, I would say the net result will not be a dramatic effect.

In the 1987 year, as the budget is now presented, there will be no effect. If additional cuts are imposed upon us, the effect will be much like that mentioned by Mr. Blum.

There will be some field stations closed. There will be some dismissal of employees. I can give you the priorities if you wish.

Mr. **Yates**. All right. Let's come back at one-thirty.

[Recess.]

AFTERNOON SESSION

Mr. **Yates**. The hearing will come to order.

WHOOPING CRANE

Mr. Spear, had you completed telling us about your problems? You started to tell us about some, and we explored it in some depth. What problems do you have besides contaminants and the whooping crane?

Mr. **Spear**. Mr. Chairman, I don't have any problem with the whooping crane.

Mr. **Yates**. You don't? I thought on the Bosque del Apache Refuge, you had a question of hunters and the whooping crane?

Mr. **Spear**. Well, we have had that issue in the past, but that's not a problem. We have resolved that.

Mr. **Yates**. It is now resolved?

Mr. **Spear**. And we have had no problems. The only problem we have had is the hunters don't feel like they're killing enough geese, but we have had no problems with conflicts with whooping crane. As a matter of fact——

Mr. **Yates**. Are the numbers of the whooping crane increasing?

Mr. **Spear**. Yes, sir. We are up to, I think, 168 total.

Mr. **Yates**. Good for you.

Mr. **Spear**. There are 98 in the Aransas flock, 33 in the New Mexico-Idaho flock, and about 38 in captivity. So whooping cranes are at an all-time high in recent memory. We have been doing well.

CALIFORNIA CONDOR

Mr. **Yates**. Well, that's good. Maybe we ought to give you the California condor.

[Laughter.]

It looks like you won't have it much longer, Mr. Blum.

[Laughter.]

Mr. **Blum**. Thank you.

Mr. **Yates**. Well, no, it isn't because of me.

[Laughter.]

Is there no chance of saving it?

Mr. **Blum**. Oh, I think there is a chance of saving it, but it's probably going to be in captivity for a while. There are not——

Mr. **Yates**. I thought the last egg had been smashed, according to what I read in the paper.

Mr. **Blum**. Yes. Mr. Smith handles smashed eggs.

[Laughter.]

Mr. **Smith**. The most recent egg was found broken. The field staff thinks the cause was due to the fact that this was a first attempt at mating, and generally with birds of this kind, first attempts aren't successful. The egg was broken.

Mr. **Yates**. Do you still have a pair?

Mr. **Smith**. The same pair is showing signs of mating again. As of yesterday they had not laid any more eggs.

Mr. **Yates**. How many do we have in existence?

Mr. **Smith**. 26.

Mr. **Yates**. Apparently I read the wrong information. The newspaper gave me the impression that we were almost down to one.

Mr. **Smith**. There are 21 in captivity and 5 in the wild.

Mr. **Yates**. Are the numbers increasing at all?

Mr. **Smith**. They are decreasing in the wild.

Mr. **Yates**. What about captivity?

Mr. **Smith**. They're only increasing in captivity because we have taken eggs out of the wild so they will be hatched.

Mr. **Yates**. How many did you start with in captivity?

Mr. **Smith**. One.

Mr. **Yates**. That is a tough mating problem.

[Laughter.]

Mr. **Smith**. We have 21 now. The problem is that most of the birds in captivity are young birds and not adults.

Mr. Yates. I see.

Are you able to maintain them? Have you lost any of them?

Mr. Smith. We have lost none in captivity. There is a disagreement among some of the professionals as to how to handle them in captivity.

Mr. Yates. Where are they? Are they in the zoo?

Mr. Smith. They are in the Los Angeles Zoo and the San Diego Zoo.

Mr. Yates. In a bird house?

Mr. Smith. In an aviary, a bird house, yes.

Mr. Yates. Is their aviary just about same as the Smithsonian's here?

Mr. Smith. I can't answer, having never seen them, but both of those zoos are in the forefront of raising birds in captivity, and our people at Patuxent who know something about this have been there, and there is no problem with their housing.

Mr. Yates. Well, there's hope then, isn't there?

Mr. Smith. There is hope, but I will second what Mr. Blum said; that is, I think it's going to be a long time before there's a viable population in the wild.

Mr. Yates. We had Mr. Robinson appearing before our committee on March 21, and I asked him about the condor, and I said, "What do we do with the condor, Mr. Robinson? I have that problem in the Fish & Wildlife Service, as to how to preserve the condor's life. I see by the papers they lost a new condor, at least an egg was smashed. What could you do here that they can't do out there? Of course, the conflicting interest would be all around you then, wouldn't they?"

"Mr. Robinson. Probably not."

"Mr. Yates. You have facilities for the condor?"

"Mr. Robinson. At this stage we think the situation is completely irremediable."

"Mr. Yates. You mean it's going to be extinct?"

"Mr. Robinson. Yes, and also the black-footed ferret has reached the stage where the population is so low, that even if we got them now, we probably couldn't preserve it. One of the outstanding results of our research has been to show that if you get down to small populations, the genetic variability in a tiny population isn't sufficient to sustain a captive population when you start a breeding program. If you get down to five or six pairs, it's just too much inbreeding, and the whole viability of the species is at risk. Our statistics have been able to show that for the first time, that when you inbreed, the families have a shorter lifecycle, there are numbers born, and when you get down to five or six condors, you may be dealing with a very closely related population——".

Mr. Smith. I can answer that question for condors. The genetic variability of the birds we have is greater than five or six pairs, because the birds that we have came from a number of different sources.

Mr. Yates. So there is no inbreeding, necessarily?

Mr. Smith. There will be some inbreeding, and the thesis that he is proposing has validity to it. But I don't personally feel, and most people I have talked to, do not feel we are at that point yet with the condor.

Mr. **Yates**. That is some hope, then.

Let's go back to Mr. Spear and start again.

Mr. Spear, what other problems do you have?

SOUTHWEST REGION

Mr. **Spear**. The problem has been brought up by several people, and I think the same problem exists in our region, of generally having to leave positions vacant for a long period of time. Some positions perhaps remain vacant, period. So we are seeing a gradual decrease in capability, some of which is not that damaging but other cases are more of a problem. It just seems to be a gradual erosion.

Mr. **Yates**. The Park Service said that it was going to lose its temporaries under the cut. Are you going to lose yours, too?

Mr. **Spear**. At this stage through 1987, we will lose some positions, but not all of the temporaries.

Mr. **Yates**. Will your operations be hampered through loss of positions?

Mr. **Spear**. Generally not, but in a couple of areas, they will be.

Mr. **Yates**. Do you have safety patrols going through a refuge?

Mr. **Spear**. Not as such, not on any regular basis. We have a safety officer who reviews the facilities on a regular basis, and then there is a safety monitoring by the refuge staff. So in terms of maintaining safety for visitors, that is one of the things that gets taken care of first. I don't think that is a problem.

Mr. **Yates**. Do you have any problem with the safety of bridges, trails or dams?

Mr. **Spear**. We have a couple of unsafe dams. Umbarger Dam is one of them. There is some money in the budget to start the fix-up of that dam.

Mr. **Yates**. So you are on your way to settling that one?

Mr. **Spear**. Yes, we are.

Mr. **Yates**. Are you in good shape, do you think?

Mr. **Spear**. Do you mean safety of dams, or generally?

Mr. **Yates**. On the whole refuge.

Mr. **Spear**. That is a very broad question.

Mr. **Yates**. It is? Then give us a specific answer.

Mr. **Spear**. We lost money in the ARMM fund that allowed us to catch up and rehabilitate in refuges.

Mr. **Yates**. Are you going to have a problem in maintenance?

Mr. **Spear**. You fall a little bit further behind. Mr. Chairman, you were chairman when we got the Bicentennial Land Heritage Program back in the late 1970s, and some of those facilities are now four or five years old. So we have been through a period where we added facilities, brought the refuges up to speed, and now we are in a period of where we are going to have to maintain those facilities.

MAINTENANCE ON SOUTHWEST REFUGES

Mr. **Yates**. How much money will you lack for adequate maintenance?

Mr. **Spear**. The ARMM cut that is in the budget, $1 million of that will come out of my region, and it is similar in all the other regions. So maintenance is substantially below where it will be this year.

Mr. **Yates**. Will you need $1 million in order to maintain your facilities at the level that they are to be maintained? Would that do it?

Mr. **Spear**. Certainly $1 million worth of maintenance would put us in better shape than we are now.

Mr. **Yates**. How much maintenance do you need?

Mr. **Spear**. This is perhaps a broader question, servicewide. We have developed a refuge maintenance list on a servicewide basis, and we do not know what the numbers are on a nationwide basis, but we generally had a maintenance program that was going fairly well.

Mr. **Yates**. For Arizona, you need about $200,000 for your maintenance, don't you, according to the chart I have, on Region 2 projects deferred for fiscal year 1987?

How many refuges do you have in your region?

Mr. **Spear**. Approximately 35.

Mr. **Yates**. Well, now, here you have Buenos Aires, Cibola, Kofa, and San Bernardino with varying amounts of maintenance. Kofa has $80,000 Buenos Aires has $45,000. But the total is approximately $180,000. Is that true of all 35 refuges? About the same amount of maintenance that you will need?

Mr. **Spear**. I'm not exactly sure what—I have a list of the deferred projects.

Mr. **Yates**. That's right.

Mr. **Spear**. That's what you are looking at?

Mr. **Yates**. Yes.

Mr. **Spear**. I have a——

Mr. **Yates**. Well, your total apparently is $1.126 million.

Mr. **Spear**. That is correct.

Mr. **Yates**. That is for current maintenance, isn't it?

Mr. **Spear**. That's maintenance that we——

Mr. **Yates**. That's deferred. If you had the $1.126 million, you wouldn't defer it then, right?

Mr. **Spear**. It's $1.126 million below the level we are performing this year.

DEFERRED MAINTENANCE

Mr. **Yates**. What is the total of maintenance deferred for 1987 for the whole service?

Mr. **Stieglitz**. The reduction in ARMM, Mr. Chairman, is $9.5 million in 1987 compared to 1986.

Mr. **Yates**. That is $1.126 million of that, $209 million. So if you had $9 million more from this committee, you wouldn't have to defer maintenance? Is that a proper way to look at it?

Mr. **Stieglitz**. Let me try to clarify it a little bit, Mr. Chairman. On refuges, we have two categories of maintenance funding.

One is the ARMM program, which was the special initiative to obtain additional maintenance support for refuge facilities. We have other maintenance funding also in the O&M base for refuges. The $9½ million reduction in 1987 is all in the ARMM program. So the total maintenance need for the entire refuge system is obviously something beyond ARMM and the regular O&M funding base. The list you have only is those projects that will be deferred in FY 1987.

Mr. **Yates**. How much do you need for deferred maintenance?

Mr. **Stieglitz**. I think it's in the budget justification, that our long-term goal for maintenance funding for the entire refuge system is $66 million. All of that is not high priority maintenance.

Mr. **Yates**. Over how many years? When you say a long-term goal, how many years does the $66 million cover?

Mr. **Stieglitz**. Well, that is related to the current physical plant, if you will, the current facilities that are now in the refuge system. It's totally unrealistic, of course, to expect to obtain that funding level over the short-term. It's something we would work toward over a long period of time.

Mr. **Yates**. What do you mean by short-term over long-term?

Mr. **Stieglitz**. I think in the interest of keeping the budget deficit at a minimum, it is not the kind of objective we would hope to achieve over a two or three year timeframe.

Mr. **Yates**. Two or three years is not normally considered long-term, is it?

Mr. **Stieglitz**. No. I am saying we would not expect to achieve it over that timeframe.

Mr. **Yates**. Let's look at this and see how smart we are in deferring maintenance in this budget if we do defer it. Page 446, of Part 1, of the justification for fiscal year 1984. The service has a $1.9 billion capital investment at refuge facilities and equipment, with an annual maintenance required of $56 million. What is the figure that compares with that?

Mr. **Stieglitz**. The current value is $2.2 billion. It has been updated since 1984.

Mr. **Yates**. Two point what?

Mr. **Stieglitz**. $2.2 billion.

Mr. **Yates**. What is the comparable figure?

Mr. **Stieglitz**. $66 million.

Mr. **Yates**. That is what you need. And how much is in this budget for it?

Mr. **Stieglitz**. There is approximately $24 million in the 1987 request for maintenance.

Mr. **Yates**. So you are $40 million short, then. Are my mathematics right, or is something wrong?

Mr. **Stieglitz**. Your mathematics are correct, sir. I think one of the important things to point out, sir, is that not all of this is critical maintenance that is essential over the next two or three years.

Mr. **Yates**. All right. So what portion of the $40 million shortfall is critical?

Mr. **Stieglitz**. We think the amount that is in the 1987 funding request is adequate to take care of the critical needs.

Mr. **Yates**. I know that's what you think, but what is the answer to my question?

Mr. **Stieglitz**. The same answer, Mr. Chairman. I should point out under the Jobs Bill program completed a year or two ago, we were able to accomplish $12 million of high priority maintenance that otherwise would not have been covered.

Mr. **Yates**. If I understand your answer correctly, then your $66 million figure is wrong, all you need is $22 million. Why do you need a $66 million figure if the $22 million is adequate?

Mr. **Stieglitz**. Because, as Mr. Spear pointed out, as some of our newer facilities continue to have wear and tear, the maintenance cost is going to increase on those.

Mr. **Yates**. Presumably that is taken care of in your $22 million?

Mr. **Stieglitz**. it is $24 million.

Mr. **Yates**. You considered that in arriving at your $24 million figure?

Mr. **Stieglitz**. We considered that, and it is our opinion that with $24 million, we could take care of the most urgent needs.

MAINTENANCE BASE

Mr. **Yates**. We don't have to worry about $66 million any more. Now our base is $24 million for maintenance.

Mr. **Stieglitz**. For fiscal year 1987.

Mr. **Yates**. And that will be the base for 1988 as well; right?

Mr. **Stieglitz**. That will depend on what budgetary decisions are made for 1988.

Mr. **Yates**. The budgetary decision is $24 million. What is the maintenance decision? What should it be, $66 million? When I asked you that question a few minutes ago, you said no, we don't need that, we need only the amount necessary for critical maintenance. Critical maintenance is $24 million. Are there grades of critical maintenance? Should you be doing more maintenance than the $24 million?

Mr. **Stieglitz**. I think that could be argued, Mr. Chairman.

Mr. **Yates**. Suppose you are on the other side, suppose you are on this side of the table, would you want to put more money in to protect your refuges?

Mr. **Stieglitz**. I cannot put myself in your position, Mr. Chairman. I think the answer is with the tight budget situation, we have to make reductions where we think we can take them.

Mr. **Yates**. I was just down to Merritt Island, and I was interested at Merritt Island—and thank you, Dr. Hester, for what you did there. He did a very good job. I looked at the equipment, and the equipment is beautiful. The firefighting equipment is beautiful. So that won't be maintained this year, it won't have to be maintained this year, because there's nothing critical about it; right? Next year, does it become critical? How long does it take before that beautiful equipment deteriorates to the point of where you say it's critical that we maintain it?

Mr. **Hester**. We have a basic amount that rotates to keep that fire equipment updated, and so that part will be taken care of. There may be other things, like dikes, for example, that are not.

Mr. **Yates**. Okay.

Mr. **Hester**. If it becomes a question of whether you repair them every year—I would make the comparison that it's kind of like street maintenance. You can go out and maintain streets on a weekly basis or an annual basis or some longer period basis.

Mr. **Yates**. You only act then when you have potholes.

Mr. Hester. What we are doing here is correcting things like potholes.

Mr. Yates. And the rest of the streets are falling apart. A pothole is kind of a very, very critical dilemma, isn't it, because you are going to break fenders and you are going to explode tires, and you are going to ruin cars if the potholes continue; right?

Mr. Hester. And the street will get worse if it is not repaired.

Mr. Yates. So if you fill a pothole, you are in better condition, right?

Mr. Hester. Right.

Mr. Stieglitz. If I might add, Mr. Chairman, through your assistance we do have special funds that are earmarked only for fire management purposes. Maintenance of fire equipment will come out of the operations part of that specific funding.

Mr. Yates. So that operations will suffer because of the fire——

Mr. Stieglitz. No, sir. We currently take care of maintenance of fire equipment out of the existing funds, so there will not be any change in that.

Mr. Yates. What I am trying to find out, and having a terrible time doing it, is should the committee protect this investment we have in wildlife refuges, so that it does not go downhill.

Mr. Smith was seven years late in getting his equipment, were you not, Mr. Smith? You were totally depreciated seven years ago and it took you another seven years to get your equipment, assuming we can avoid a Presidential veto.

Mr. Smith. It took three years, from the time I knew about it, to get to where we are now.

Mr. Yates. But you were late in knowing about it, were you not?

Mr. Smith. That is my fault.

[Laughter.]

Mr. Yates. I take it, from that answer, it is yes.

Mr. Smith. Yes.

Mr. Yates. Well, that is what is going to happen to the rest of the establishment, is it not? How do I get from you, Mr. Horn or from Dr. Hester, the amount that you think you ought to have, beyond this, in order to maintain this? I cannot get it from you because OMB will not let you tell me.

Mr. Horn. I think what the answer is that in an optimal situation we could do the absolutely——

Mr. Yates. No, no. I know what you are going to tell me. I am not talking about an optimal situation. I am talking about a Gramm-Rudman situation where I would go to bat for the Service and say in order to protect the Federal investment, the committee goes to bat and says we need this amount of money, otherwise we are going to lose our investment.

Mr. Horn. I think that that is where we came to the $24 million figure.

Mr. Yates. You say you need no more money, in order to protect the investment?

Mr. Horn. That will permit us to protect the investment, defer some things, and then we can come back and pick them up at a later on date. It does not do the optimal job. It does not do the absolute best job. But it permits us to hold the line on what we have got, defer some projects until we can pick them up later on down the road.

Mr. YATES. What happens next year?

Mr. HORN. We will probably continue to juggle things around, to try to stay ahead of the power curve and continue to promote and put in that amount of money to do the necessary job.

Mr. YATES. All right. Let the record show I tried.

[Laughter.]

Mr. Spear, had you completed your response?

Mr. SPEAR. Yes, I think I better have.

[Laughter.]

NORTH CENTRAL REGION

Mr. YATES. Okay. Mr. Nelson, how are things in Minnesota.

Mr. NELSON. Well, they are pretty good in Minnesota. We have eight states in the north central region, Region 3.

Mr. YATES. Right. What problems do you have that we ought to know about? That we might be able to help you with?

Mr. NELSON. Well, you talked about the contaminant issue earlier and we have some refuges involved in that. There is Crab Orchard, in particular, which you are familiar with, Mr. Chairman. We have an ongoing investigation there that has been started to determine the scope of that problem and what might ultimately be done about that.

Sometime during the next 12 to 18 months there should be some resolution as to what the remedial action may have to be. We do not have that answer yet, but it is being looked at.

Mr. YATES. What do you mean by that? Remedial to do what?

Mr. NELSON. Well, the major site on Crab Orchard Refuge, of course, is a three and a half acre disposal site from the old ordnance plant where they stored various kinds of equipment and materials. That is the major Category A area that we are working with and funding was provided to investigate that. Out of the investigation that is now underway, there should be a determination as to what it will take to handle those materials in a safe manner.

In addition, there are some other areas on the refuge that are also being investigated to determine if, in fact, there is any danger in some of the other sites. That is all underway. We should have an answer to that within the next year or year and a half.

Mr. YATES. Do you have any other contaminant problems, other than Crab Orchard?

Mr. NELSON. We have two other refuges in the region, Shiawassee Refuge in Michigan, which is at the confluence of five river systems that flow into Saginaw Bay which carry large quantities of agricultural chemicals and other industrial or municipal pollution.

We suspect problems there. That's in a lower category, category C, but it will be looked at.

We have a similar problem on the Horicon Refuge in Wisconsin, which is largely related to agricultural chemicals.

Mr. YATES. How do you conclude whether a rating of A, B, or C should be given? Mr. Spear and Mr. Blum talked about categories A, B, and C. Mr. Blum has three in A and some in B and C. You have these in B.

How do you conclude that it is not A or C?

Mr. NELSON. Well, the categories were used in the report. Category A is where there is direct evidence that need corrective action.

Category B is defined as areas where onsite direct evidence indicates the need for in-depth monitoring and analysis of impacts.

And then category C areas are where on or off-site circumstantial evidence indicates the priority need for additional reconnaissance to determine if, in fact, there is a need for remedial action.

Mr. YATES. Okay, and that is your contaminant problem, the one you have just described?

Mr. NELSON. Well, that is on refuges.

Mr. YATES. That is on refuges?

Mr. NELSON. We had some major concerns with the upper Mississippi River system, the Illinois River, the Great Lakes of course.

GREAT LAKES

Mr. YATES. Can you tell us about that? I am particularly interested in the Great Lakes, of course, but also the others. What is it that concerns you there and should concern me?

Mr. NELSON. The overall concern in the Great Lakes, of course, deals with the general water quality issue as it affects the organism in the total Great Lakes system.

Mr. YATES. A few years ago they found toxaphene in the water. What do you find now?

Mr. NELSON. We are still looking and determining what is there, in total. I understand the research is directed at that.

Mr. YATES. Who is doing that for you, Mr. Smith? Are you doing that, Mr. Smith?

Mr. SMITH. We are doing some of it.

Mr. YATES. When you take samples, as you do, Mr. Nelson, where do you send them? Do you send them to Mr. Smith or to Mississippi State or to Patuxent or where?

Mr. NELSON. Well, there are different ways that it is done. Where we have direct Fish and Wildlife Service involvement on a site specific problem like deformities in gulls on an island in Green Bay, let us say, that is being done within the Service and some of those samples are subject to the same analysis requirements and I do not know where they are all sent, frankly.

Patuxent Research Center is involved with that. So is the Columbia Missouri Laboratory.

But the EPA and the other organizations, including the states, of course, are also involved and they either have their own analysis capabilities or they are also competing in use of the same private or commercial laboratories.

Mr. YATES. You do not have the authority or the power to stop the contamination, do you?

Mr. NELSON. No.

Mr. YATES. You have got to send whatever findings you have over to EPA for action, is that correct?

Mr. NELSON. That is one mechanism.

Mr. YATES. Are there others?

Mr. NELSON. We would go to the state, of course, as the other avenue to pursue, depending on the state regulations and the issue.

Mr. YATES. Well, what is the condition of the Great Lakes? Is it being cleaned up? Do you have a running account of what you have found over the years, so that you can give some kind of an answer to the question as to whether some progress is being made in cleaning it up?

Mr. SMITH. I can give you some information in relation to our studies.

They are being cleaned up, but there are still problems. We have yet to be able to demonstrate that the contamination is having an effect on most fish populations.

FISH TUMOR RESEARCH

Mr. YATES. I thought that, in the Great Lakes at least, they found cancer in the fish?

Mr. SMITH. I was going to finish.

Mr. YATES. I'm sorry.

Mr. SMITH. There are some species in some parts of the lakes where we are finding tumors caused by, what we think, are chemicals. They are mainly in the rivers that are associated with heavy industry.

For instance, we are doing work in the Fox River in Green Bay, Menominee River in Green Bay, the St. Mary's River in Lake Huron, Cuyahoga in Erie, Black in Erie, Saginaw in Lake Huron, and et cetera. What we are essentially finding is that with bottom feeding fish in industrial areas, there are some problems associated with tumors.

We have not yet got the information to show the cause and effect in the laboratory.

There are pesticides and contaminant levels in fish in all the Great Lakes. Most of the states and provinces have put restrictions on eating some of these fish.

I would say that the lakes are cleaning up, but we know that there are still some problems.

The Fish and Wildlife Service does not have the authority to regulate harvest, because of contaminants. FDA and EPA do, and the state governments do.

In summation, I would say that any large fish that lives a long time is probably going to have a higher contaminant level than a young fish or a short-lived fish. And if you like to eat fish, do not do so in excessive amounts.

Mr. YATES. We are told we have to eat fish now. We cannot eat red meat.

Mr. SMITH. I do not know about red meat, but fish of the Great Lakes can be consumed, but not on a daily basis.

Mr. YATES. You do not have anything to do with ocean fish, do you? Do you deal with sport fishing in the ocean?

Mr. SMITH. Not in the ocean, in the estuary areas.

Mr. YATES. In the Gulf?

Mr. SMITH. In the estuary areas.

Mr. YATES. Are you finding it there, too?

Mr. SMITH. Some areas generally associated with industrial areas, like harbors, like Boston Harbor for instance.

Mr. YATES. Does that mean you do not want me to eat cod?

Mr. SMITH. No. I would eat cod.

Mr. YATES. You would. How about scrod?

Mr. SMITH. I would eat scrod also. I have eaten scrod.

Mr. YATES. I have eaten scrod, too. Where does that leave us?

[Laughter.]

Mr. SMITH. Both of us liking scrod.

[Laughter.]

Mr. SMITH. I would say if you buy a fish in the market, you have a good indication that it is safe to eat.

Mr. YATES. How about salmon?

Mr. SMITH. I will pass on that one.

Mr. YATES. I am sorry. I have to leave for a minute. Mr. Murtha will take over.

Mr. MURTHA [presiding]. Where are we here?

Does Mr. Nelson have any additional problems or unique problems to his region?

Mr. NELSON. Well, when we're talking about the Great Lakes, the Service, of course, is involved with a major lake trout restoration program there, sea lamprey control, which is progressing satisfactorily.

We continue to experience problems related to illegal harvest of lake trout, which is an important problem. We've worked on it some, and it is an area that needs continuous attention.

DES PLAINES PROJECT

Mr. MURTHA. Let me ask you about the Des Plaines project. What is the level of state and private contributions to the project?

Mr. NELSON. I'm not sure, sir. The Fish and Wildlife Service became involved two years ago, and there was $525,000 appropriated for that pilot project. They are nearing the end of the completion stage of that part of the project now, and I know that the project manager is seeking outside funding and other support to continue that project.

Mr. MURTHA. So you're saying there is not sufficient funding from the state and local governments?

Mr. NELSON. No, sir. I'm saying I don't know what they may be trying to put together in terms of continuing that project on a somewhat different scope. Maybe Mr. O'Connor would know since he's also dealt with it.

Mr. O'CONNOR. Mr. Chairman, we've funded that project at $475,000 in fiscal year 1985, $233,000 in fiscal year 1986, and we anticipate that the state and private funds will be able to continue the work in 1987.

Mr. MURTHA. Are you saying that Federal funds are not necessary in 1987?

Mr. O'CONNOR. Yes, sir. We don't anticipate that they will be.

SOUTHEAST REGION

Mr. MURTHA. Mr. Pulliam, do you have any unique problems?

Mr. PULLIAM. Well, we have some contaminant problems, as other regions do. We have 13 refuges that made the Blue Book, only one of which is really serious. That is Wheeler in northern Alabama where we have a problem with the DDT deposits that came from a manufacturing plant that ran from 1947 to 1970. There is a court order for the corporation to mitigate that damage. That work will start April 21st, so that repair is imminent. There has been an Oversight Committee governing that recovery effort by our biologists, EPA, state people, TVA, so that problem is well on the way to resolution, I think.

The others are basically in the farming states. We have some evidence at some refuges through fish tissue samples that we've got some pesticide-type problems. Basically they seem to be agricultural runoff. We are monitoring those to see if we can pinpoint the problem, and once we do that, then we can see what we can do about the problem. But right now, we are in a monitoring position on most of the refuges.

NORTHEAST REGION

Mr. **Murtha**. Mr. Larson?

Mr. **Larson**. Yes, sir?

Mr. **Murtha**. Do you have any problems?

Mr. **Larson**. No more problems than anybody else has talked about, and I'd kind of like to point out successes, if I may?

Mr. **Murtha**. Go right ahead.

Mr. **Larson**. I think we've made real good strides in the bald eagle restoration over the last couple of years. We've worked well in international arrangements with Canada, so that Pennsylvania now has a thriving restoration program going on with the bald eagle, as we have on Chesapeake Bay and in Maine. I think they've never been healthier. The eggshell thinning seems to have disappeared. That was a result of pesticide contamination.

The same is true in the peregrine falcon restoration with about 50 breeding pairs in the East now.

In the case of the Atlantic salmon, we've got good stocks coming back from Greenland now, successes like we haven't had in several years.

The striper problem seems to be resolving itself to some extent. The Hudson River stock, of course, is strong, largely as a result of the fact that New York had curtailed harvesting of them. But we have an active program in the Chesapeake Bay, and I think we're moving well along toward resolution in that area.

The refuges that we have contaminant problems on are situations where we have old historic dumps, and that's just a sore thumb. You've got to figure out what you've got before you can do anything about it. They usually are not big in size and don't involve a whole bunch of things, but just unknowns in cases of determining what was there before.

But I am more proud of our successes right now than I am concerned about what we won't have. I think we're healthy, we're well, and we're going to stay that way in the future.

FUNDING CUTBACKS

Mr. **Murtha**. Do you have any cutbacks that could affect future successes?

Mr. **Larson**. We have an adequate level of funding to handle all the priority programs that we're engaged in.

Mr. Murtha. What if we had a 20 percent cutback? Let's say Gramm-Rudman kicked in, and you had a 20 percent cutback in the region. Would that affect you at all?

Mr. Larson. If we had a 20 percent cutback, all bets would be off, because we'd have to look at our situation again and see where we were. We haven't looked at a 20 percent cutback. A 20 percent cut would probably have some severe impacts, but I don't know that at this point. We'd have to look at it.

ROCKY MOUNTAINS AND PLAINS REGION

Mr. Murtha. Mr. Buterbaugh?

Mr. Buterbaugh. Mr. Chairman, we also have a few contaminant problems in my region, the Rocky Mountain Region. We have four refuges that have some selenium levels that are being looked at. Two of them, Benton Lake and Bowdoin, are in Montana and are associated with river reclamation projects. Browns Park Refuge in Colorado, and Ouray Refuge in Utah are in a river system that shows selenium levels to be fairly high in the fish. So far in the refuges, we don't see any signs of it, and we certainly don't see any signs of it in the animals that use any of our refuges.

We also had a few refuges that have arsenic contamination. They are from grasshopper baits that were buried years ago, when it became illegal to use grain with arsenic on it to kill grasshoppers. The bait was buried in some of the areas that we subsequently took over as refuges, and that's still contaminating some areas. It doesn't appear to be a serious problem, and it's gradually being dispersed into the environment and is not a serious problem. We have located some of those.

On the success side, we feel that we're more or less successful or at least holding our own on grizzly bears, in the recovery. This is an issue that is of national significance, that's of interest to people, and we feel that we're doing fairly well, certainly in coordination of all the agencies involved. We're doing as well as we can hope to at this time because of the long lifespan of the grizzly bear. It's not a species that you're going to turn around and recover quickly, because it breeds very slowly. We feel that we're making some major strides, and working with the local people and trying to accommodate development along with the recovery of the bear.

We have had one major setback, and that was the black-footed ferrets. Chairman Yates mentioned this a little earlier before he left, we have had a major catastrophe with the only remaining ferret population in the world. They came down with distemper, a disease to which they are very susceptible. We have now six in captivity and we have learned the technique for inoculating the ferrets, so they have developed a resistance to distemper. They will not come down with it because they've been inoculated with a virus now that we can use on them.

At least a pair of them bred successfully, but whether or not the female is pregnant, we will have to wait and see. We also feel that there are some left in the wild. We know of at least three that are likely to be left in the population in the wild. So we're hopeful that we will be able to recover from this problem and start reintroducing ferrets.

And other than that, we have no other major problems in the region.

GRIZZLY BEAR AUGMENTATION

Mr. **Murtha**. At this point, do you have any plans to augment the grizzly bear populations?

Mr. **Buterbaugh**. No, we do not. We want to do an experimental augmentation in one area in Montana, and we are now in the planning stage or the environmental assessment stage of that project. That would be up in the Cabinet Mountains in Montana. The population in that area is down to probably half a dozen bears or a dozen bears, and we don't know whether that augmentation technique will even be successful in the future if we needed it. So we would like to try. We have started the planning process and the public involvement process as we develop the process that we would go through. But we are still possibly two or three years away from even attempting it.

Mr. **Murtha**. Is there any problem with augmenting the grizzly bear population in Forest Service areas?

Mr. **Buterbaugh**. No. The Forest Service is including augmentation in their forest planning process. The forest that we propose to do this on, the Kootenai National Forest, has augmentation as part of their forest plan. That's the only one that we have that we're working on, and there is no problem, so far as I know, with the Forest Service on this.

Mr. **Murtha**. What effect will the $25,000 reduction have on the grizzly bear recovery program?

Mr. **Buterbaugh**. Very little. The money was actually a little higher in 1986 than we normally would use, because we had some studies underway. We're finishing those studies, and so the actual impact on the ground in terms of ongoing work will not be noticed.

ALASKA REGION

Mr. **Murtha**. Mr. Gilmore?

Mr. **Gilmore**. Yes, sir. We don't have any real outstanding problems in Alaska, but we do have two situations that you will hear about in the future.

One is that we've had four species of geese that nest on one of the refuges in Alaska that have shown some rather serious declines over the past year. The reasons for the declines are still being studied. We're not sure exactly what the reasons were. But in the meantime, we've been working in the areas that have traditionally taken the geese for sport hunting and food in Alaska and sport hunting in the lower 48 states, to reduce that take on those species. We've successfully done that so far.

The other area that I think is an accomplishment is that the natives that live on the Yukon-Delta Refuge have agreed to work with us to reduce the take on these animals. In one case they have agreed to take no cackling Canada geese at all during the spring. That's a significant issue, since that's a traditional means of food-gathering in the spring. And they've agreed to hold it back and help us take care of the geese, and I think that's a very significant move.

In the contaminant area in Alaska, we have three basic types of contaminants on about 14 of the 16 refuges. One, I think, is an outstanding opportunity to prove that other people can do the work besides the Federal Government.

Chevron put some PCBs on the roads, mixed in with old oil to settle the dust, and we discovered what we had out there. We worked out a complete clean up with Chevron to the tune of about $5 million. They're going to clean up the entire area and haul it off and make sure that the PCBs are taken care of.

The other contaminant, the one that is much more difficult to deal with, are these contaminants we call World War II leftover contaminants on the Aleutian Islands and in some cases up on the North Slope of Alaska. We are working with the Corps of Engineers. They will clean up Amchitka this summer, according to our specifications. We've worked with them rather closely, and we feel that over the next two or three years we can get most of that debris cleaned up.

There are some problems right now with identification of where the contaminants are out there. The Corps has agreed to a detailed plan of identification of where the contaminants are and what they are, so we can decide how to clean them up.

The last one, which is not so easily solved, is placer mining in Alaska. It's still a very important industry in the state. Placer mining puts a lot of metals in suspension when they stir the mud up. There's a possibility that those metals are causing some reproductive conflicts with some of the waterfowl and the wildlife and we're looking at that; however, that's an issue long away from being resolved right now. We don't have the answers. All we know is that we may have a problem.

Mr. MURTHA. What are the contaminants that we left in the Aleutians?

Mr. GILMORE. Well, it ranges all the way from piles of old batteries that have since disintegrated and left sulfuric acid and a whole series of kinds of things like that. Then you have DDT that was left out there. There are a number of areas where they didn't use up all the DDT, and they rolled it out and buried it. It ranges all the way from PCBs where people opened up transformers, you know, the oil substance and poured it out, all the way to some fairly high nitrate accumulations in the soil just outside the officers' club door.

[Laughter.]

TULARE LAKE REGION

Mr. MURTHA. Mr. Secretary, other than Kesterson, there are other areas in California where potential problems exist. One such area includes some large evaporation ponds in the Tulare Lake Region. What are the major contaminants at the evaporation ponds at Tulare Lake?

Mr. HORN. I couldn't tell you what the exact ones are. I would defer to Joe Blum. But in general, the entire question of agriculture and irrigation drainage in the San Joaquin Valley is the focus of a major study that is being conducted by the department.

We have formulated what is known as the Irrigation Drainage Task Force. I co-chair it with the Assistant Secretary for Water and Science, and the contributing agencies to the Task Force are the Fish and Wildlife Service, the U.S. Geological Survey, and the Bureau of Reclamation. We are conducting west-wide surveys on all areas where we see that irrigation drainage could cause some significant contaminant problem.

We have identified 19 areas. The area that is first on the list that we are looking at most intensively is the San Joaquin Valley. That lake bed is basically in the heart of the valley. I will ask Joe Blum to give you the details on exactly what it is we have been finding, if anything, in that particular area.

Mr. BLUM. In the Tulare Basin, we have been finding selenium at about the same level in some places as Kesterson. We have been finding arsenic at levels higher than Kesterson. The Tulare ponds are private.

Mr. MURTHA. How large are those ponds?

Mr. BLUM. There are approximately 16,000 acres of them right now. Eventually, if they are ever fully developed, there will be in excess of 30,000 acres.

Mr. MURTHA. How did you learn of the problem with those ponds?

Mr. BLUM. We had an idea several years ago in the late seventies that the water in these ponds could be used for irrigating and creating wetlands. The Tulare Basin is an area of intense agricultural development. We have lost a substantial amount of wetlands and we were going to use the water for alternative habitat. In doing the basic water analysis, we found we had high levels of selenium, high levels of arsenic. Now we have to go back and develop a new strategy as to what we are going to do for lost wetlands in the Tulare.

Mr. MURTHA. What is the Service's responsibility at these ponds?

Mr. BLUM. The responsibility is substantially different from what we have at Kesterson in that Tulare is private. We do have responsibility under the Migratory Birds Treaty Act to enforce the provisions of that Act which may be in question here with respect to the ponds. But we don't have the ownership issue. We do not have a refuge on the ponds and we do not use water from the ponds to irrigate a refuge, so we have a different set of circumstances.

Mr. MURTHA. Are you monitoring other such evaporation ponds to determine if there are similar problems with them?

Mr. BLUM. No. The only evaporation ponds that I am aware of in California are those and the ones that we find in Kesterson.

Mr. MURTHA. Do we have adequate resources to monitor them at other sites?

Mr. HORN. What we have done, as I indicated, Mr. Chairman, is we have established this task force within the department, and have gone out and done the preliminary work on a whole range of areas out west. This work is not just related to wildlife refuges, but is related to wildlife habitat in general. We have identified 19 areas where we see the potential for problems, and have ranked those into priority areas. Tulare Lake Basin is one of the nine that are the top priority areas to be looked at and looked at immediately.

We are attempting basically to find out the full extent of irrigation drainage problems throughout the west where we may have some role to play because of migratory birds, the Bureau of Reclamation projects. Once we get ahead of the power curve, we will know what our problems are and then can develop appropriate prescriptive action.

We are right now in that analysis and identification stage.

Mr. **Murtha**. Do birds use this pond?

Mr. **Horn**. The Tulare Lake area?

Mr. **Murtha**. Yes.

Mr. **Horn**. Yes.

Mr. **Murtha**. Is it harmful to the birds?

Mr. **Horn**. In some cases—I'm not sure we have had any deformities turn up there like we have at Kesterson, but I suspect the possibility exists.

Mr. **Blum**. We have not, but we have not done the intensive study that we have done at Kesterson.

Mr. **Murtha**. Have you done anything to keep the birds off the ponds?

Mr. **Blum**. There has been an effort this past winter by the local owners of the ponds, the drainage districts, to haze birds. We are talking about large ponds, talking about different problems than at Kesterson in hazing birds, and the success has not been that great.

Mr. **Murtha**. Let's talk about the Crab Orchard.

Mr. **Blum**. Excuse me. May I add one other thing that is important?

Mr. **Murtha**. Go ahead.

Mr. **Blum**. We did acquire water for Kern National Wildlife Refuge, which is in the vicinity of these ponds, to flood more of that area with good water and to attract birds away from the ponds. In that situation, we were more successful than in the hazing.

Mr. **Murtha**. Do you have responsibility under the Migratory Bird Treaty Act to take any action? Are you complying with that treaty?

Mr. **Horn**. In our opinion, we are complying with it. Of course, that act gives us the authority to regulate migratory waterfowl hunting in the fall, and it requires us to basically exercise good faith efforts to make sure that people are not taking these birds in an illegal fashion, that is, establishing some sort of an attractive nuisance or hazard that kills them.

We have consulted with the Justice Department and were assured that the actions we are taking out there are putting us in compliance with the Act.

CRAB ORCHARD NWR

Mr. **Murtha**. Crab Orchard. PCBs have been known to exist at Crab Orchard National Wildlife Refuge for several years now. At this point, what can you tell us about when we might expect a solution and just what the solution might be?

Mr. **Nelson**. Mr. Chairman, I spoke to that a little bit ago, but maybe Mr. Stieglitz would like to elaborate on it.

Mr. **Stieglitz**. I might give you some details. We have just completed phase one of the remedial investigation feasibility study. We started out looking at 33 sites on Crab Orchard Refuge that potentially had a problem. This involved detailed samples of water, soils, biota and so forth. The results indicate that 10 of those 33 sites need some additional analysis, and we are just currently embarking on that process.

Two of those ten sites seem to have a high potential. One of them is the existing Site 9, or the Sangamo site, as we call it, which has been known to have a PCB problem for some time. The other one is known as the Job Corps Site, which also was contaminated by industrial interests some years ago.

The phase two study that we are into right now will be completed by the 30th of April in 1987. At that point, we will know the full extent of the problem and we will have looked at alternatives for clean up and will have decided upon the best alternatives for clean up.

Mr. MURTHA. How likely is it that the Sangamo Electric Company or other private interest which may have contributed to the problem will participate financially in a solution?

Mr. STIEGLITZ. The Sangamo Westin, successor company to Sangamo Electric, has been a party under a cooperative arrangement between ourselves, that company and EPA to complete the remedial investigation feasibility study. They have contributed financially to the study on Site 9.

As to final responsibility for clean up, obviously that has not been resolved at this point in time, but our general approach to any contaminant problem is that the contaminator should pay for clean up.

Mr. MURTHA. What responsibility does EPA have in a situation like this?

Mr. STIEGLITZ. In this particular situation, the entire process follows EPA guidelines, and through a letter of agreement between Regional Director Nelson and the regional administrator of EPA, they have endorsed the procedure that we are using to look at the situation. So they are an important party to the working arrangement.

DEFENSE DEPARTMENT SITES

Mr. MURTHA. Quite a number of the contaminant problems in the refuge system are on lands once under the control of the Defense Department. What program does the Department of Defense have in place to take care of the contaminants left in place by these activities?

Mr. STIEGLITZ. They do have an Environmental Restoration Fund to look at such contaminant sites and to clean them up. We are working with the military on a number of these. Regional Director Gilmore mentioned the work that is going on in Alaska. In a number of the sites that are contained in the Refuge Contaminant Report, the military is already working with us to examine the problem and begin clean up efforts.

Now, that is not true of every site, but ultimately our intent would be to involve the military where the responsibility is clearly theirs.

Mr. MURTHA. So what kind of resources do they provide to clean up an area like this?

Mr. STIEGLITZ. I will give you an example. At Crab Orchard, there are three or four sites that potentially are the responsibility of the military. They are at the present time developing a scope of work on their own that would provide for an analysis of those particular sites.

Mr. MURTHA. Will you give us, for the record, the sites that the military has left behind and what resources they are providing in order to clean it up, if we are having problems. You don't need to list them all, but if you are having any problems with any sites, send the list over to the committee so we can maybe coordinate with the Defense Subcommittee.

Mr. STIEGLITZ. We would be pleased to do that.

[Information to be furnished follows:]

MILITARY WASTE SITES ON REFUGES

The Fish and Wildlife Service has identified 11 National Wildlife Refuges (NWRs) on which past military activities are responsible for the contaiminant issue of concern: Seal Beach, Johnston Atoll, Ninigret, Eastern Shore of Virginia, Fisherman Island, Alaska Maritime, Baker Island, Howland Island, Arctic, Togiak, and Yukon Delta. The FWS has no indication of any problems in obtaining military assistance to respond to these concerns. In fact, the military has been and continues to be very responsive in addressing these issues by initiating appropriate studies to determine the nature and extent of the contaiminant concerns, implementing corrective measures and absorbing costs.

SAN FRANCISCO BAY

Mr. MURTHA. San Francisco Bay. Last year, the Congress added money for further contaminant evaluation of San Francisco Bay. How is the money being used in fiscal year 1986 and what do you propose in this area for fiscal year 1987?

Mr. O'CONNOR. We got $180,000, Mr. Chairman, and we are using the money to try and determine the source of the contaminants and what the contaminants are. We believe we pretty well have it tracked down to a place called Coyote Creek, but we are still running some surveys in the southern part of the Bay to make sure. Then when that survey work is done, we will approach the clean up problem.

Mr. MURTHA. What is the nature of the problem?

Mr. O'CONNOR. It is selenium.

Mr. MURTHA. What are you going to do in 1987?

Mr. O'CONNOR. We will continue the work until the survey is done, and then, depending on what is required to clean it up, approach that. I'm not sure at this time, unless Mr. Blum is, of what might be needed in the way of clean up, but I don't think we have reached that point yet.

Mr. MURTHA. What do you have in the budget for it?

Mr. O'CONNOR. We have $180,000.

Mr. MURTHA. In 1987?

Mr. O'CONNOR. We intend that a like amount will be used in 1987, yes, sir. It is in our base.

CONTAMINANT SITES

Mr. MURTHA. There is a requested increase of $953,000 for resource contaminant assessment, which would provide a total $5,025,000 in fiscal year 1987. On what basis did you identify the primary areas of study for the increase?

Mr. O'Connor. What are the areas, sir?

Mr. Murtha. On what basis did you identify the primary areas of study for the increase?

Mr. O'Connor. Those areas that we determined that we had contaminant problems in, and that is partially on the basis of our biomonitoring program.

Mr. Murtha. How does the increase fit in to what you have been doing in the previous years?

Mr. O'Connor. Well, in some areas, it carries on the work that we have been doing in previous years, and in other areas it is some new efforts. For example, the Alaska Tundra area is one that we have been working in, and that area would carry on. In some areas of the Great Lakes, we are starting some new work and, again, we are continuing on some work there: for example, monitoring of canvasbacks and other migratory bird species.

Mr. Murtha. Are you talking about in-house capability or through contracts?

Mr. O'Connor. This largely would be in-house capability.

Mr. Murtha. Does the increase allow you to analyze and assess all the areas where you suspect there are problems, or are there significant areas that will have to wait another year?

Mr. O'Connor. These are the areas that we feel have the highest priority, Mr. Chairman, and we are addressing those. Obviously, we can't address all of the contaminant problems throughout the country, but we feel we are addressing the ones that are the most urgent and in need of attention.

Mr. Murtha. Do you know the ones you will not be able to address?

Mr. O'Connor. We have a list.

Mr. Murtha. Send us a list for the record.

Mr. O'Connor. All right. We will be pleased to, Mr. Chairman.

[Information to be furnished follows:]

AREAS THAT WARRANT CONTAMINANT EMPHASIS

Geographic Areas	Fish and Wildlife of Concern	Point or Non-Point Source Pollution of Concern
Gulf and Atlantic Coastal Estuarine Wetlands	Waterfowl, Migratory Birds, Endangered Species, Anadromous Fisheries, Estuarine Species.	Hydrocarbons, Petrochemicals, Industrial Effluents, Agricultural Runoff.
Example: Assessments of contaminants in fish and wildlife in eastern North Carolina:		
Upper Mississippi River and Wetlands	Waterfowl, Endangered Species	Sedimentation, Agricultural Chemicals.
Lower Mississippi River and Wetlands	Waterfowl, Endangered Species	Agricultural Chemicals, Petrochemicals.
Prairie Pothole Wetlands North-Central, US	Waterfowl, Endangered Species	Sedimentation, Agricultural Chemicals, Area-wide Pesticide Application, Agriculture Return Flows.
Example: Hydrogen sulfide impacts on wildlife in North Dakota:		
Riverine-Riparian Habitats Western, US	Migratory Birds, Waterfowl, Endangered Species.	Sedimentation, Area-wide Pesticide Application, Best Management Practices.

AREAS THAT WARRANT CONTAMINANT EMPHASIS—Continued

Geographic Areas	Fish and Wildlife of Concern	Point or Non-Point Source Pollution of Concern
Example: Toxaphene contamination of fish and wildlife of Grand Valley, CO:		
Federal Public Lands, Western, US	Migratory Birds, Species of High Federal Interest, Endangered Species.	Area-wide Pesticide Use, Erosin, Sediment Deposition.
Eastern Deciduous Forests and Rivers	Endangered Species, Migratory Birds, Waterfowl.	Industrial Pollution, Mine Runoff, Acid Preciptation.
Example: Evaluation of NPDES program in protecting aquatic life in the Susquehanna River Basin Impacts of oil and gas development on fish and wildlife resources in the Allegheny Forest:		
Pacific Northwest Rivers and Estuaries	Anadromous Fish, Migratory Birds, Endangered Species.	Sediment Deposition, Industrial Pollution, Forest Product Waste, Area-wide Pesticide Use.
Example: Evaluation of the influence of environmental contaminants in Puget Sound, WA:		
Alaska Tundra Wetlands	Migratory Birds	Oil and Gas Exploration and Development.

ARCTIC NWR EXCHANGE

Mr. **Murtha**. The Fish and Wildlife Service has apparently been spending staff resources to prepare a proposal to exchange land in the Arctic National Wildlife Refuge. What staff and dollar resources has the Fish and Wildlife Service used to work on this exchange?

Mr. **Gilmore**. Mr. Chairman, the exchange is an item where we are just in the discussion stage right now. What started this entire effort was that there are a number of areas that were selected by the native corporations within the boundaries of the National Wildlife Refuges in Alaska as their land. In an effort to understand where we needed to plan for the Alaska refuge system, we started to identify those lands inside refuges that are most important and that we would like to obtain either now or sometime in the future to provide for continuous management of that particular refuge.

In the meantime, several native corporations came to us and asked us if some of the lands that we had identified might be tradeable lands for subsurface rights up under the 1002 area on the Arctic Refuge. We are presently discussing that with them.

Now, the work that we have done at this point in time, and I don't have a dollar figure on that with me today, was to bring some——

Mr. **Murtha**. You don't have a dollar figure on what you spent in 1986?

Mr. **Gilmore**. No, sir. I'm not through with that yet. I still have some other work to do in regard to the work on the refuge. What we have tried to do is to get an appraised value of those lands inside the refuge. That is where we have spent our money to this point in time, to try to find out what those lands are worth in the event we were to negotiate an exchange now or in the future, we are ready to do it. We are still a couple of months away from having those appraisal values approved.

Mr. **HORN**. We can provide the committee with an update of exactly how much staff time has gone into doing this appraisal work. I don't think we will have any trouble generating that number.

[The information follows:]

ARCTIC NWR EXCHANGE PROPOSAL

From October, 1985, through February, 1986, four teams, totaling eight Service appraisers, were dispatched intermittently to Alaska to assess the value of potential exchange lands presently held by native corporations. The total expenses for this effort not including salaries, was $175,000. It is estimated that 4.5 FTE's were utilized.

The appraisals included four regional corporations and at least nine village corporations covering approximately 5 million acres of land.

Much of the work involved development of market data to place a fair market value on potential exchanges.

Mr. **MURTHA**. What is the specific source of the funds you are using to work on this exchange?

Mr. **VERBURG**. Through the Land and Water Conservation Fund that we have asked for in our budget. We have asked for $1.5 million for staff support in 1987, of which about $500,000 goes to Alaska.

Mr. **MURTHA**. Are there other Federal agencies spending money to prepare for this exchange?

Mr. **HORN**. None that I'm aware of. Essentially what we would be talking about is using the land exchange authority, contained in section 1302(h), to make an exchange of refuge interests for other refuge in-holdings. Let me add, however, that we have made a policy determination that any exchange that we would put together would be submitted to Congress for its approval. We do not intend to take any unilateral executive action.

Mr. **MURTHA**. Does the department plan to notify the committee of this exchange in which you have invested about $300,000?

Mr. **HORN**. I think that we are still at the preliminary stage. We have Koniag Corporation, Arctic Slope, and a number of the village corporations all talking to us. We frankly right now are still in the process of trying to put together a conceptual arrangement. As soon as we have some idea, we would potentially give up Parcel A to get Parcel B back, and we would be up to brief the committee.

Mr. **MURTHA**. In the Conference Report, December 19, 1985, the report requires that committees have a meaningful opportunity to review and oversee land exchange proposals involving these two systems. Notification to the committee at an early stage of a land exchange proposal is required to achieve this intent.

You have already spent some money?

Mr. **HORN**. We are spending some money on trying to prepare a proposal. It is our intent, as a matter of policy, that any exchange that we would put together would be submitted to Congress for its express approval as a matter of legislative action. As soon as we have some type of a proposal that is beyond the talking stage so that we can identify the types of parcels of land that we will be looking at, we will be back up to brief the committees.

I know we have had consultation already with the authorizing committees because they have asked. We have been to tell them basically what we have told you now. As soon as we have more details, we will be back up to both the appropriations and authorizing committees.

Mr. **Murtha**. Does the fiscal year 1987 request include funds for work on the Arctic NWR land exchange?

Mr. **Horn**. There is no expressed funding. As Mr. Verburg indicated, some of the $1.5 million of administration money under LWCF would be available for use in this project.

COMPLETION OF RESEARCH STUDIES

Mr. **Murtha**. Habitat resources, research and development. In fiscal year 1985, a series of studies directed at assessing impacts of pesticides and other agricultural chemicals on wetlands in the Chesapeake Bay and Prairie Pothole Region was completed. What did you learn from these studies?

Mr. **Hester**. Mr. Smith, can you answer?

Mr. **Smith**. I can answer about the Prairie Pothole area. I don't recall right now the work in the Chesapeake. In the Prairie Pothole area, we are in the third year of the studies. So far we found there is agricultural pesticide run-off, in some of the areas, but we haven't been able to correlate levels to any hazard or relationship to a reduction in waterfowl numbers. There are contaminants in the pothole areas, but we can't correlate that to any effect on wildlife.

Mr. **Murtha**. On FWS, page 53, which is your justification, it says a series of studies directed at assessing impacts of pesticides and other agricultural chemicals on wetlands in the Chesapeake Bay and Prairie Pothole Region was completed.

Mr. **Smith**. There are pesticides in these Pothole areas, there is a run-off situation, but there is no correlation that I know of to waterfowl losses.

Mr. **Murtha**. I understand. Are you also referring to Chesapeake Bay?

Mr. **Smith**. No, I am not.

Mr. **Hester**. Mr. Chairman, I think Mr. O'Connor can answer that.

Mr. **O'Connor**. In Chesapeake Bay, there is a series of studies. We are doing it geographical area by geographical area, on a watershed basis.

Mr. **Murtha**. This says they have been completed.

Mr. **O'Connor**. They will be completed this year.

Mr. **Murtha**. This says very clearly that Chesapeake Bay and Prairie Pothole Region were completed. Were they or weren't they completed?

Mr. **O'Connor**. The basic studies were completed, but some follow-up studies will be completed this year. All the reports have not been completed yet.

Mr. **Murtha**. Then this is inaccurate. What follow-up is called for as a result of these studies and how is it accommodated in this request?

Mr. **Hester**. Mr. O'Connor.

Mr. **O'Connor**. Depending on what is shown by the studies Mr. Chairman, we are going to have to work with the ones that are causing the pollution to see if we can get a reduction. When you start talking about non-point source pollution, like agricultural pollution, it is very difficult because you are dealing with a large number of people that are causing the problems. If you have a point source where it is perhaps one industrial plant that is causing the pollution, it is much easier to deal with, because you know who you are dealing with. Sometimes it is hard to stop but at least you know who you are dealing with.

Mr. Murtha. A problem in the contaminant situation has been the lack of good data on exactly what levels of contaminants pose a danger to fish and wildlife. To what extent are you working to determine what levels of contaminants are harmful to different species?

Mr. Hester. In large measure, that is what our research on environmental contaminants is. That is the work we do at the Patuxent and Columbia Laboratories and at our Great Lakes Fisheries Laboratory. We have a long standing program on this dating back to the days in which we worked on egg shell thinning in eagles and other birds of prey and other species.

Mr. Smith may want to answer further.

Mr. Smith. You have given the general overview of what we are doing. We are working with specific groups of compounds. We are trying to show the cause and effect relationships. When we determine there is an effect, the information is usually used by FDA and EPA in regulatory processes.

We are working with organo chlorines, such as DDT; dioxins, heavy metals, a number of different kinds of compounds with indicator species, both fish and wildlife.

Some of the success stories, have been the effects of DDT on egg shell thinning. Also, the business with selenium on the Kesterson Refuge was essentially started through research identification. There is also the work with DDT in the Rio Grande Valley, and some of the information we have generated out of the Great Lakes has been used by the states.

ACID RAIN DEMONSTRATION PROGRAM

Mr. Murtha. In fiscal year 1985, an initial appropriation was made for an acid precipitation demonstration program. The basic thrust of the program is to lime some streams and lakes in order to neutralize the acidity. How far along are you in implementing the program?

Mr. O'Connor. Mr. Chairman, the program has just gotten started. We have identified the states and the lakes where the work is going to occur. It will get started this year, and studies will go on until 1991. We will be monitoring it during that time and the liming will be carried out during that period.

Mr. Murtha. What have you learned through this program to date?

Mr. Smith. We have learned that there were a number of states interested in carrying out the activity. We have identified areas in five states where we think we can show the cause and effect relationship. I think we are at the point of applying the materials and starting the monitoring. We have learned a good deal in other parts of the program, in relation to research of the effects of acidification on fish and wildlife.

Mr. **Murtha**. Is the program of sufficient size to get a cross section of the types of situations where acid rain occurs?

Mr. **Smith**. The program that we have initiated covers five states and takes three different types of water courses. The work is being done in, Massachusetts, West Virginia, and New York, Minnesota, and Tennessee, which gives a cross section of the U.S. It probably will give us a good indication. Sample sizes are probably not adequate to say what we learn in these areas is going to be applicable everywhere.

Mr. **Murtha**. Are you doing any other work with acid rain?

Mr. **Smith**. Yes; in research work, in 1986, we have about $1 million related to trying to determine the effects of acidification on Atlantic salmon, on waterfowl, specifically black ducks, and also trying to understand the mechanisms by which acidification affects fish. The 1987 budget has a program of about $500,000.

Mr. **Murtha**. Have you looked at the cause of acid rain, for instance, in talking to Penn State. I get a real mixed reaction about what causes it. Have you established——

Mr. **Smith**. We are not dealing with causes. We are dealing with the effects of acidification.

Mr. **Murtha**. You do not get involved with what causes it at all?

Mr. **Smith**. Anything we would give you would be supposition.

REFUGE O&M FUNDING

Mr. **Murtha**. Refuge operation and maintenance. The budget justification is misleading in regard to operational funds for existing refuges. Page FWS-83 states "although existing refuges have received funding increases over the last few years, funds have been designated by Congress for specific purposes. Funds have not been provided for continued operation." Last year, the Congress asked for $2.7 million just to meet the operational need of new and existing refuges.

Why do you not acknowledge the fact that the Congress has exceeded the budget request to address the problem for which you are belatedly asking for an increase and specifically state the opposite of what actually happened?

Mr. **Hester**. Mr. Chairman, you are correct. The statement is in error. We failed to make a change and make the statement correct. I offer my apologies for that.

Last year, Congress did provide an additional $2.7 million for operation and maintenance and for refuges recently added to the system. In fiscal year 1986, the add-on is being utilized to sustain non-discretionary activities on refuges and to meet the requirements of our Youth Conservation Corps program.

During the current fiscal year, we also have been able to meet operational costs on some new refuges by temporarily realigning funds from existing stations. This realignment of station funding will be included in our second quarter reprogramming report to the committee.

Our fiscal 1987 increase of $1.6 million establishes a permanent operational base for 24 new stations and allows for restoration of base operational funding to the refuge field stations. That is in addition to continuation of that $2.7 million.

You are correct. It is a misstatement.

HURRICANE DAMAGE

Mr. **MURTHA**. What damage to the refuges occurred as a result of last season's hurricanes?

Mr. **HESTER**. Mr. Stieglitz might give an overall statement. Other than that, I would have to ask the individual regional directors.

Mr. **STIEGLITZ**. We did incur some damages, Mr. Chairman, ranging from minor structural damage to some damage to water management facilities, such as dikes and water control structures. We do not have a specific dollar amount.

Mr. **MURTHA**. Let us list that for the record, from all the regions. Have you had funds available to repair the damage caused by the storms?

Mr. **STIEGLITZ**. Some of the damage has been repaired out of existing funds. Others have not.

Mr. **MURTHA**. What is the outstanding liability? What do you have that you have not taken care of?

Mr. **STIEGLITZ**. Well, I personally know of some water management facilities that have not been repaired.

Mr. **MURTHA**. Give us a list of what needs to be repaired.

[Information to be furnished follows:]

HURRICANE DAMAGE

Last year hurricanes did extensive damage to facilities in the Southeast. The Service, to the extent possible, has begun rehabilitation of the highest priority damaged facilities. There is still damage requiring repairs:

Station	Damage/needed repair	Amount
National Wildlife Refuges:		
Alligator River NWR, NC	Rehabilitation of overwashed goose browse; restoration of boundary signs.	$8,000
Bon Secour NWR, AL	Rehabilitation of dune damage	3,000
St. Vincent NWR, FL	Replacement of vehicles (2)	22,000
St. Vincent NWR, FL	Rehabilitation of dock and piers	22,000
St. Vincent NWR, FL	Rehabilitation of barge slip	20,000
St. Marks NWR. FL	Rehabilitation of dikes and levees	45,000
St. Marks NWR, FL	Restoration of boundary signs	14,000
St. Marks NWR, FL	Restoration of Exec. Order Boundary	30,000
Cedar Keys NWR, FL	Rehabilitation of osprey nesting structures	10,000
Refuge total		174,000
National Fish Hatcheries: Bowden NFH, WV	Repair fish production ponds; replace fencing; repair buildings.	89,000
Total		263,000

WATER RIGHTS

Mr. **MURTHA**. Water rights. The budget reflects a decrease of $142,000 related to protection of Federal reserve water rights in the 17 contiguous western states. There would still be $175,000 left in the budget. Is this reduction based on reduced work load?

Mr. **HESTER**. Mr. Stieglitz?

Mr. **Stieglitz**. There are a number of areas in which we could spend Federal funds to determine Federal water rights and interests. The amount contained in the budget, $175,000, we think is adequate to take care of those pressing needs that need to be resolved in the short term.

Mr. **Murtha**. How successful have you been, to date, in protecting the Fish and Wildlife Service water rights?

Mr. **Stieglitz**. We think we are fairly successful. I am not aware of any situations where we have lost water rights that were essential to operation of our Federal refuges or hatcheries. The regional directors are much closer to the specific problems. You might inquire of them, particularly in the western region, as to whether they have had any serious problems that I might not be aware of.

Mr. **Blum**. In Region 1, which is the west coast, water rights are not a major issue.

Mr. **Murtha**. Any problems in any of the regions?

Mr. **Buterbaugh**. Mr. Chairman, in the Rocky Mountain and the prairie states, it is not a major problem. The funding that we have had, up to this point, has got us past the major problem areas. We feel that we have not lost any water rights as a result of not being funded and it is going along well.

Mr. **Murtha**. I do not hear any problems in the regions.

Mr. **Horn**. Mr. Chairman, let me add that in some particular cases, in Region 1 for example, our water problems should be called water quantity instead of rights. They do not necessarily stem from litigation with outside parties. They often reflect internal allocations within the department, between ourselves and let us say, for example, the Bureau of Reclamation.

We have been actively addressing those particular cases inside the department. That does not generally require the commitment of financial resources, but just personal time and effort.

ADC TRANSFER

Mr. **Murtha**. In fiscal year 1986, talking about law enforcement and protection, the Animal Damage Control Program was transferred to the Department of Agriculture. Can you bring the committee up to date on the status of the transfer?

Mr. **Horn**. Mr. Chairman, we are very near to finalizing the details of the transfer. As a matter of fact, I think I meet with my counterpart at Agriculture later this week, to see if we can come to closure.

The only outstanding issue, at this time, is the question of General Administration. The appropriation bill last year earmarked the transfer of the $19.6 million program.

The Agriculture Department has asked for and contends that it has some basis, in its own appropriation measure, to not only take the $19.6 million but to take some percentage of our General Administration account and have that transferred as well. We have disagreed, thinking that we have indications from this committee and the Senate counterpart that the $19.6 million was all that was intended to go.

We are going to try to resolve that issue ourselves and then, before any final action, it is going to be our proposal that the transfer package be submitted back to Congress for its review before final action occurs.

[COMMITTEE NOTE.—The determination order effecting the transfer was signed without the Congress having the opportunity to review the transfer package.]

NON-GAME SPECIES

Mr. MURTHA. The testimony from the Defenders of Wildlife was critical of the Fish and Wildlife Service for its lack of budgetary emphasis on non-game species. Their testimony is as follows: "There are 816 species of migratory birds in the United States, 654 of which are listed as non-game. Add to this list game species which were previously hunted but currently are not, because of low populations—" there are 103, apparently "—totalling 757 birds and 93 percent of all federally managed migratory birds are effectively non-game. Yet the budget for these non-game species is only a fraction of the funds spent on management of game birds by the FWS."

How do you respond to the criticism that not enough emphasis is placed on non-game species?

Mr. HORN. I think that the basic answer is that, in many cases, what drives our critical programs, of course, and many state programs are the monies and the revenues generated from hunting programs. This includes the millions of dollars that go into the Pittman-Robinson program and the millions of dollars that we generate from duck stamp funding.

And in that sense, the sport hunting community makes a very substantial, direct contribution and that, of course, is reflected in our management programs.

In addition to that, we have one simple factor that when we buy a wetland for the benefit of migratory waterfowl that are subject to hunting, we know that you may benefit the mallards or the black ducks, but there are also a number of ancillary benefits that will accrue to non-game species.

Similar results occur if we are in the habitat protection area where we take care of a particular stretch of river because of their benefits for salmon or trout or some other major game species. We know that those are not the only fish that inhabit that particular habitat.

Therefore, because of the major contribution being made to the budget directly by the sporting community through fees, licenses, excise taxes, we get ancillary benefits coming out of those programs and accruing to the non-game side.

Plus, we do have a fairly active non-game program. As a matter of fact, I was out at the Patuxent Laboratory with the Service directorate no more than about two months ago, discussing this very issue, of what we could be doing dealing with non-hunted migratory birds and getting briefed on programs like Kirtland Warblers and many others. We have got fairly active efforts.

Dr. Hester might speak to this in greater detail.

RESEARCH ON NON-GAME SPECIES

Mr. HESTER. Mr. Chairman, I might mention a couple of other things. One of them is we spend a little over $1.144 million in Wildlife Research on a non-game program. But in addition to that, we spend money in other programs for non-game species. For example, we talked earlier about the whooping crane. It is a migratory, non-game bird. So there are many places in our budget that work on these species shows up.

Much of the work we do in habitat preservation is not species oriented but has benefit, as Mr. Horn has pointed out, to a multitude of species.

In addition to that, Mr. Smith, who heads our research program might have additional comments.

Mr. SMITH. You stole all my thunder.

[Laughter.]

As far as research goes, between 10 percent and 15 percent of the effort is in migratory, non-game work. I think the justifications Mr. Horn gave you are sufficient.

I also would say that, in the eyes of the Defenders of Wildlife, we are not spending anywhere near what we should. Their interests are more in this area than they are in the game area.

There are some species that we are not addressing directly.

Mr. MURTHA. Would it not be more cost effective to help species before their numbers became so low?

Mr. SMITH. Yes, sir.

Mr. HORN. Mr. Chairman, I may add that one of the areas, as a matter of policy, that the Department addressed in the past, was a report directed to be prepared by the Congress looking at this whole question of non-game. One thing that we've talked about, in a general sense, without having any specific response, is to see if there was a way to have that part of the wildlife community that is interested in non-game come up with some type of a fee or tax system similar to hunting licenses, duck stamps, Pittman-Robinson, Dingell-Johnson taxes. In this manner, that portion of the wildlife community could make a direct contribution to funding these important non-game programs.

That is something that we would be more than glad to work with the Congress on in putting together and having happen.

Mr. MURTHA. Would you agree with the testimony from the Defenders of Wildlife that the Patuxent Wildlife Research Center has been ordered to redirect its attention to waterfowl, game bird research and management?

Mr. HESTER. We have three main components, in terms of the Patuxent Wildlife Research Center. One of them is research on environmental contaminants. The second one is research on endangered species. And the third one is research on migratory birds.

There have historically been responsibilities out there. There has been very little change in terms of magnitude between those three components over a number of years. So I would not agree.

WATERFOWL PRODUCTION

Mr. MURTHA. There is a requested increase of $2 million for waterfowl production and habitat management. What is the specific problem this $2 million increase is directed to solve?

Mr. Horn. Let me address this as a matter from the policy perspective and ask Dr. Hester or someone from the Service to address the details.

The reason that we have requested the entire $5.1 million increase for waterfowl, in general, is in response to a fairly significant or substantial decline in waterfowl populations last year, culminating in the lowest fall flight forecast that we have had since we have been keeping surveys. So we think we are facing an emergency situation vis-a-vis our duck and goose populations that merits special immediate attention. Hence, we came up with this funding.

The Service can address the particulars.

Mr. Hester. We have two components. One of them is a component about research and development into the causes of waterfowl mortality. Another one is ways to enhance production, both on Service lands and off Service lands. That will address how can we manage wetlands, for example, to increase the production.

Mr. Stieglitz may want to add to that.

Mr. Stieglitz. Yes, I might talk about the enhancement package for waterfowl management. It covers a rather broad spectrum of needs for waterfowl. The major activity is related to increasing waterfowl production, both on Service lands and off Service lands. Even though we have a number of areas that we have acquired and have managed for waterfowl, we have not had sufficient funds to manage those for maximum production in a number of cases. A portion of the package will go for that purpose.

The fact of the matter is that, considering all potential for waterfowl production on Service lands, the real key to successful waterfowl management is production on non-Service lands, that is on private lands. Most of the habitat is in private ownership.

So a significant part of this package will go to enhancing waterfowl production on private lands, through technical assistance measures, and a limited expansion of our lease program. Another portion of this package will go toward additional studies on the Mississippi Valley population of Canada geese, which is a major goose population in the Mississippi flyway.

We have a need for much better information on the status of the population, movements, where harvest is occurring and so forth. Approximately one-quarter of a million dollars of that package will be devoted to additional work on the Mississippi Valley population of Canada geese.

There are lesser amounts included which cover other parts of the country, keying in on major waterfowl species of concern, like black ducks on the east coast, ring-neck ducks in Florida, and also black ducks in the Mississippi flyway.

SOUTHEAST COOPERATIVE DISEASE STUDY

Mr. Murtha. This committee has received a number of inquiries about the Southeastern Cooperative Wildlife Disease Study headquartered at the University of Georgia in Athens. What portion of total funding will remain for the Southeastern Cooperative Wildlife Disease Study if no Federal funds are provided?

Mr. Hester. Mr. Smith?

Mr. **Smith**. In 1986, 13 states each contributed $7,000, the Agriculture Department contributed $300,000, we contributed $225,000 and the University of Georgia contributed space and some resources. There are also special contract studies that the unit has, from time to time, from other contributors.

So based on that, I would say that we are talking about not providing about one-quarter of the budget.

Mr. **Murtha**. Is there any indication that the other amounts will stay in place if the Federal funds are withdrawn?

Mr. **Smith**. All indications I have are that the other fundings will remain.

ALASKA SUBSISTENCE GRANTS

Mr. **Murtha**. What is the effect of not providing further funding for Alaskan subsistence? The justification simply states "Further funding has been determined to be unnecessary."

Mr. **Horn**. I think the reason for the recommendation not to provide that is that the state has been running the subsistence program in accordance with Title VIII of the 1980 Alaska National Interest Lands Conservation Act. We have been providing essentially $1 million a year to help defray those costs.

Just as a matter of policy, throughout the Fish and Wildlife Service budget, we have reduced or curtailed those grants made directly to the states from appropriated funds and did not think that there were enough unique, special circumstances to exempt Alaska from that general policy.

Plus the fact they have run the program and probably have the wherewithal—this may be before the falling oil prices—had the wherewithal to handle it themselves.

FORENSICS LAB

Mr. **Murtha**. The request for endangered species is $23,160,000, a reduction of $6,737,000 from the base. The major portion of the reduction is the elimination of the grants to states, minus $4,393,000.

What progress have you made in establishing the forensics lab for which funds were provided in the fiscal year 1986 appropriations?

Mr. **Hester**. We have looked at a number of locations and options, all the way from renting space to building space. And I will ask if Mr. Wallenstrom can give us a report on that.

Mr. **Wallenstrom**. We have met with the staff, both of the House and the Senate, in the process of looking at sites and giving them a preliminary report. The sites that we were looking at, at that time, were in Idaho, California, Colorado and Patuxent Wildlife Research Center plus a refuge site in Long Island.

Our latest developments are that we have completed some engineering studies which further clarify the cost of constructing a laboratory. We are in the process now of making a final decision and going back to the committees with our preferred site and the costs.

ENDANGERED SPECIES GRANTS

Mr. **Murtha**. The budget proposes to eliminate the grants to states for the conservation of endangered and threatened species. In fiscal year 1986, the appropriation was $4,393,000. Would not eliminating the state grants take away the long-standing partnership between the Federal Government and the states?

Mr. **Horn**. Mr. Chairman, let me address that from the general sense and ask Mr. Wallenstrom to add. We looked at the budget, and the need to meet the deficit reduction targets, and asked questions about where we have taken cuts in the past. We found that in fiscal year 1982, these Section 6 grants were similarly eliminated and it appeared to us that there were no serious adverse effects on the overall endangered species program. We concluded that if we could eliminate them in 1982, we could probably make a similar elimination in fiscal year 1987, given the Gramm-Rudman-Hollings constraint.

Hence, the decision was made to cut the grants out. Mr. Wallenstrom can address what might be the impacts of that in more detail.

Mr. **Wallenstrom**. In 1982, we found that many of the states did carry on their share of the recovery actions that were funded with those grants.

Mr. **Murtha**. They did not?

Mr. **Wallenstrom**. They did.

Mr. **Murtha**. Will you say that again?

Mr. **Wallenstrom**. They did continue to pursue the projects that they were funded to do the year before. They might have cut back some of their levels.

However, we feel that many of the states have been in these programs for some time now and it is a shared responsibility. We are hopeful they will carry on in view of the fact that the federal budget does have a large deficit.

Mr. **Murtha**. Do you have an indication or suggestion that the states are not carrying out good projects with the money?

Mr. **Wallenstrom**. Do you mean indications from the states themselves?

Mr. **Murtha**. No. From your review of the projects, are there any indications that the projects that states are involved with are not good projects?

Mr. **Wallenstrom**. No. We think they are our highest priority projects.

Mr. **Murtha**. What portion of the proposed state projects have been able to receive funding?

Mr. **Wallenstrom**. I would say about less than 50 percent of the proposals that we receive are fundable.

Mr. **Murtha**. What indication do you have the states will continue programs without the active funding support of the Federal Government?

Mr. **Wallenstrom**. I think just the fact that they did carry on some of these projects in 1982 when the program was dropped back to zero.

Mr. MURTHA. Will the State of Florida be able to continue its work in the support of the Florida Panther without the Federal Government?

Mr. WALLENSTROM. I have not had any indications from Florida whether they would or not.

FISH AND WILDLIFE FOUNDATION

Mr. MURTHA. Administrative services. There is a reduction of $150,000 associated with the National Fish and Wildlife Foundation. How successful has the Fish and Wildlife Foundation been in securing funds for its own operation?

Mr. HESTER. They have secured some funds so far in the magnitude, I think, of $30,000 or $40,000, but it has not been for their own operation. They have no funds other than the funds that have been provided through the Fish and Wildlife Service.

Mr. MURTHA. So they haven't been too successful.

Mr. HESTER. Not yet, but the Foundation has a number of projects that are on the horizon that look very promising.

Mr. MURTHA. What do you currently provide for the Foundation?

Mr. HESTER. In the current fiscal year we provide $144,000, and two people are employed there under our appointment authority

Mr. MURTHA. Now, the $144,000 does not include the two people stationed there?

Mr. HESTER. It is their salaries and travel expenses, basically, and office operational expenses.

Mr. MURTHA. So you basically provide $144,000.

Mr. HESTER. That's correct, in the current fiscal year.

NISQUALLY FISH HATCHERY

Mr. MURTHA. Construction. The request for construction is $3,113,000. A comparable appropriation for fiscal year 1986 was $21,168,000. What is the status of the Nisqually fish hatchery?

Mr. KUTKUHN. I'd like to give just a little review. In fiscal year 1981, a total of $700,000 was appropriated to complete the development studies of that facility. The studies and preliminary design work were completed in 1982. The studies recommended the siting of the facility on some U.S. Army property. That property has been acquired.

In fiscal year 1986, $1.7 million was appropriated to construct the following Phase One facilities: the main access road to that acquired property—I believe it is on Fort Lewis—upper and lower facility site preparation, electrical and phone service and lines to the site.

The negotiation with the DOD for the property is still under way. I perhaps misspoke a moment ago in indicating that the property was acquired. I believe there are still some details to be worked out with regard to the long-term occupancy of that property for this facility, but that is pretty much the state of it.

Mr. MURTHA. This is a project that Mr. Dicks is interested in. What amount of money is necessary for 1987 to keep the hatchery construction on schedule?

Mr. KUTKUHN. To keep it on schedule, we are looking at site acquisition and preparation being completed. We are talking then about following through on the construction of the facility. In the long-term, we are looking at a $7 million price tag for that facility.

Mr. Murtha. $7 million in 1987 to keep it on schedule?

Mr. Kutkuhn. It could be 1987, it could be anytime in the future, whenever——

Mr. Murtha. Well, I mean to keep it on schedule because Dicks will want to keep this on schedule, and therefore, the committee will want to keep it on schedule, so you say it needs $7 million.

Mr. Kutkuhn. That is a projected total estimate for the facility.

Mr. Murtha. And that is the money you need in 1987. In other words, it would fall behind schedule if you didn't have the $7 million in 1987; is that accurate?

Mr. Blum. Mr. Chairman, the schedule depends very much upon the ability of the Nisqually tribe and the military to reach accommodation with one another. The dollar amount will have to keep being moved forward until that accommodation is met. The issue is not money. The issue is whether or not the military and the tribe can reach agreement as to whether there will be a hatchery on the property.

Mr. Murtha. So we don't necessarily need the $7 million this year; it depends on an agreement is what it amounts to.

Mr. Kutkuhn. It is my understanding that we are pretty close to agreement on the site in the long haul?

Mr. Blum. I can't say that.

Mr. Kutkuhn. Can't say it. Okay.

[Laughter.]

Anyway, it is a conditional situation, sir.

Mr. Verburg. Mr. Chairman, the total project requirement is $7 million. That does not mean that is the amount needed in fiscal year 1987. We can provide the phasing amount for the record for you. We do not have that with us.

Mr. Murtha. Yes, provide that for the record. It would be very helpful to us.

[Information to be furnished follows:]

Construction of Nisqually Fish Hatchery, Washington

Current estimated costs for phased construction of the Nisqually hatchery are as follows:

Feasiblity study and planning (appropriated FY 1981)	$700,000
Phase 1 (Appropriated FY 1986—Construction of main access road, site preparation at upper and lower sites, and construction of electrical and phone services to site)	1,617,000
Subtotal, appropriated	2,317,000
Phase 2: Upper facilities (Construction of water supply system, main hatchery building, cold storage facilities, equipment storage facilities, rearing ponds, and affluent treatment facilities)	4,275,800
Phase 3: Lower facilities (Construction of rearing ponds, adult holding ponds, and release facilities)	
Total	7,774,200

NORTHEAST ANADROMOUS FISH CENTER

Mr. Murtha. What is the status of the Northeast Anadromous Fish Center?

Mr. **Smith**. It's in good shape. It is right on schedule. Mr. Conte makes sure it is.

Mr. **Murtha**. Mr. Conte will be glad to hear that.

Mr. **Smith**. Well, he checks about every other week.

[Laughter.]

Mr. **Murtha**. We just want to get it on the record.

How much money do you need to keep it on schedule this year?

Mr. **Smith**. There was an appropriation of $5.5 million last year for the first phase of construction. That won't be completed until the end of 1987, so there is none in this budget.

Mr. **Murtha**. There won't be any money this year.

COLEMAN FISH HATCHERY

Mr. **Murtha**. What work have you been able to accomplish on the Coleman Fish Hatchery with the money made available in fiscal year 1986?

Mr. **Kutkuhn**. Sir, we are in the position of improving the water supply at the hatchery. I cannot provide you with all the details as to progress that we have made in applying the money, but I could provide that information for the record.

Mr. **Hester**. Perhaps Mr. Blum from that region can help.

Mr. **Blum**. We have completed construction and are on line with ozonation equipment that will handle about 50 percent of the water going through the hatchery. We are ahead of schedule with that. We are in the design and preliminary construction phase for the remainder of the ozonation equipment.

The serious issue remaining at Coleman is the ability to use Central Valley Project power to minimize Fish and Wildlife Service costs for running the ozonation equipment. Mr. Horn is in serious negotiations with the Bureau of Reclamation on that issue, and substantial progress, from our perspective, has been made. It looks like we are going to get somewhere.

Mr. **Murtha**. I have a number of questions for the record, Mr. Secretary. Mr. Dicks and Mr. Regula have some questions for the record.

Thank you, Mr. Secretary.

The committee will adjourn until 10:00 tomorrow morning.

[Questions and anwers submitted for the record follows:]

ADDITIONAL COMMITTEE QUESTIONS SUBMITTED FOR THE RECORD

Military Assistance

Question: The budget justification carries a listing and a brief description of the legislative authorities under which the Fish and Wildlife Service operates. For example, 16 USC 670a-o provides for fish and wildlife conservation on military reservations. What is your invlovement on military reservations?

Answer: In accordance with the Sikes Act and the 1978 Memorandum of Understanding between the Departments of the Interior and Defense, the Service is involved in the development, implementation, review, and revision of cooperative agreements with the various military authorities at headquarters and individual bases to facilitate cooperative efforts for the benefit of fish and wildlife resources on military reservations. Pursuant to these agreements, the Service also provides technical assistance to the military by developing and revising comprehensive fish and wildlife management plans for individual military reservations and in monitoring the performance of, and maintaing liaison with, these specific installations. In FY 1985, Fishery Resources provided technical assistance and/or fish stocking to 51 military installations, including bases of all the military services. In FY 1986, Wildlife Resources, with Fishery Resources assistance, is developing management plans for 15 Air Force and 4 Navy installations.

Question: What resources do you use to carry out this responsibility?

Answer: The Service provides this technical assistance on a cost reimbursable basis by utilizing Wildlife, Fishery or Habitat Resources biologists at those field offices most conveniently located to the military bases served. If the Service is unable to meet its obligations due, for example, to inadequate staff levels, logistic problems or time constraints, work is subcontracted out to the private sector. In FY 1985, approximately 10 FTE's were used while in FY 1986, the number of FTE's will be about 14.

Question: Does the military reimburse you for services?

Answer: Work performed in developing, reviewing and revising cooperative agreements with the Department of Defense is conducted "in-house" by Service personnel with costs (probably not exceeding $25,000-$30,000 per year), not charged to the military. The majority of the costs, related to technical assistance and fish stocking provided by the Service, are reimbursed by the military agencies pursuant to the contractual agreements. Actual reimbursement for fishery work in FY 1985 was as follows:

	Technical Assistance	Fish Stocking	Total
Army	$510,000	$33,500	$543,800
Navy	24,000	0	24,000
Air Force	39,500	0	39,500
Marine Corps	3,800	0	3,800
	$577,600	$33,500	$611,100

Reimbusements in FY 1986 for technical assistance provided under contracts, for which Wildlife Resources has the lead, should total $171,000 (Air Force, $135,000 and Navy, $36,000).

Preservation of Wilderness Areas

Question: Another example of legislative authority is that dealing with preservation of wilderness areas under provisions of the Wilderness Act. What is your involvement in preserving wilderness areas?

Answer: The Service has 70 Congressionally established wilderness areas totaling 19,330,337 acres. In addition, there are 26 proposals pending in Congress totaling 3,437,199 acres. Section 1317 of the Alaska National Interest Lands Conservation Act (P. L. 96-487) requires all non-wilderness lands on 16 refuges in Alaska (approximately 57 million acres) to be studied in conjunction with the comprehensive conservation planning process for Alaska. These studies will be completed by 1987.

Question: What budgetary resources are related to wilderness area preservation?

Answer: Budgetary resources have not been requested to specifically manage wilderness areas. There are budgetary resources used to manage national wildlife refuge acres that have been subsequently designated as wilderness. The estimate of such activities involves approximately $3.5 million of refuge operations and maintenance funding. About 30 FTE's are involved in the management of refuge acreage which has been designated as wilderness. About 25 of these are devoted to mandated comprehensive wilderness studies in 16 Alaskan refuges. The 5 FTE's devoted to wilderness studies outside Alaska support activities such as planning coordination, policy review, public inquiries, permit administration, and trail maintenance.

Savings from Management Initiatives

Question: On page FWS - 25, there is a listing of adjustments to the base and built-in changes. Included in this listing is a reduction of $1,989,000 which is described as anticipated savings from management initiatives. Could you please be more specific and give us the details on how you plan to achieve these savings?

Answer: The Service will achieve these savings through a variety of methods including streamlining of Washington and Regional office management and administrative functions, consolidations of field activities, and reducing publication and printing costs.

Question: What streamlining did you have in mind?

Answer: Streamlining of Washington and Regional Office management and administrative functions will be continued to increase the efficiency of professional staff while reducing the need for administrative, secretarial and other support staff. Office and information management technology, such as microcomputers and word processors, is being implemented for use by professional staff to increase efficiency and decrease ratio of clerical staff. Electronic storage of program information will make it more readily accessible and reduce the time needed for basic information gathering. Expanded use of electronic information transfer will enhance the exchange of management information, thereby decreasing staff work and review time. Other administrative and management functions and tasks will be examined to identify further areas of marginally useful or duplicative activities which may be eliminated.

Question: Does this mean closing offices?

Answer: The Service does not anticipate the closing of any offices in FY 1987 as a result of these efforts.

Question: What consolidations do you have in mind?

Answer: Wherever practicable, field stations will be co-located to reduce rent and other facility costs. For example, this could mean locating fishery assistance offices at fish hatcheries or research labs, or wildlife research field stations at wildlife refuges. Clerical and administrative support for co-located offices can be combined to eliminate duplication of capability, reduce staff requirements, and increase efficiency. Savings may also accrue through reduced costs for postage, telephone, office equipment, and other overhead expenditures.

Question: How do you expect to achieve savings in printing and publications?

Answer: Publication of non-essential documents intended only for general information will be terminated except as necessary to meet legislative or otherwise mandated requirements. Publication frequency of other documents will be decreased (i.e. quarterly publications will be published semi-annually or annually). Printing and mailing costs will be reduced by expanded use of commercial computerized information services, rather than hard printing, to make information available to public users on a user-pay basis.

In addition, in FY 1987, the National Wetland Inventory will have all the wetland maps on microfiche. The microfiche will be sent to GPO for distribution to their regional libraries and anyone interested in obtaining maps will be able to do so by ordering directly from USGS as part of an agreement between the two agencies. The resultant savings are expected to be considerable.

Motor Vehicles

Question: Another base adjustment is a reduction of $2,200,000 attributed to a decision not to purchase new motor vehicles in FY 1987. How many vehicles do you purchase in a normal year?

Answer: In recent years, purchase of passenger vehicles has ranged between 40 and 70 passenger vehicles and about 275 trucks per year.

Question: Would you expect your maintenance costs to rise because you will be dealing with an older fleet of vehicles?

Answer: It is anticipated that maintenance and operational costs may be slightly increased as vehicles scheduled for replacement may be retained for an additional year.

Question: Have you made any provision in your budget for higher maintenance costs on your vehicles?

Answer: Since we believe the actual cost increase will be very slight, the maintenance requirements have been incorporated into the maintenance funding base.

Surface Mining

Question: The Fish and Wildlife Service provides technical assistance for fish and wildlife aspects on the Department's program on active and abandoned mine lands. What is your workload associated with the Surface Mining Control and Reclamation Act expected to be in FY 1987?

Answer: The number of consultation efforts are expected to be 595 for FY 1987.

Question: How does this compare to your experience in FY 1985 and FY 1986?

Answer: As a result of a reduction of coal-mining activities, consultations decreased from 625 in FY 1985 to an estimated 595 in FY 1986.

1985 Farm Bill

Question: The 1985 Farm Bill provides for Fish and Wildlife Service participation in the implementation of key conservation provisions including: Farm Debt Restructure and Conservation Set-Aside, Conservation Reserve and Wetland Conservation (FWS-32). What kind of workload does this create for you in FY 1986?

Answer: The Service is assisting USDA (primarily Soil Conservation Service, Agricultural Stabilization and Conservation Service, and Farmers Home Administration) to maximize fish and wildlife conservation opportunities that are provided by Farm Debt Restructure and Conservation Set-Aside, Conservation Reserve, Swampbuster, and Sodbuster. To date our work has stressed implementation planning at the Washington and State/field levels. The Service has designated Washington/Regional/State coordinators to perform this work.

Question: Where are you getting dollar and staff resources to handle this workload in FY 86?

Answer: The Service is using funds and personnel staff within existing programs. Regional Offices are primarily using existing Habitat Resources and to a lesser extent Wildlife Resources funds and staff to assist the Department of Agriculture in the States to effect field implementation.

Question: Why have you not requested an increase for it in FY 1987?

Answer: Passage of the Farm Bill has several provisions that provide an unparalleled opportunity to protect, enhance, and increase migratory waterfowl and other fish and wildlife habitat, including wetlands. Much of the Service's current effort is in the form of coordination with the U.S. Department of Agriculture; however, as procedures and regulations are formalized, the action will move rapidly to the field. The provisions of the Farm Bill are consistent with many ongoing Service activities. As a result, the Service has identified base activities in Wildlife Resources and Habitat Resources that meet the objectives of the Service while also addressing provisions of the Farm Bill. The uses of these funds will not change significantly from those uses described in the budget justification. This is viewed as an efficient utilization of resources in a constrained budget environment.

Predevelopment Consultation

Question: What is the basis for the projected workload increase in pre-development consultation related to Forest Service and BLM grazing/range and other land management planning?

Answer: There is a projected increase from 60 to 85 Forest Service and Bureau of Land Management (BLM) grazing/range and other land management planning pre-development consultation (PDC) activities from FY 1986 to FY 1987. This is a result of an unforeseen increase in the numbers of requests in FY 1986 for Service involvement in land management planning and related proposals initiated by the Forest Service and the BLM. The Forest Service is currently conducting numerous forest management plans and the BLM is conducting numerous management framework planning initiatives, especially in western and southwestern States. Pre-development consultation ensures early coordination in the planning process and provides an accurate description of fish and wildlife resources to the land managing agencies. Additionally, early coordination during the planning process is more effective and efficient than providing technical comments after management plans and environmental statements have been submitted for review. Overall, PDC will give the Service a closer working relationship with land managing agencies such as the Forest Service and the BLM.

Question: There is an increase of $280,000 for pre-development consultation. Of this amount, $60,000 is for other contracts and $150,000 is for other services. Please explain what services and contracts this will permit.

Answer: Funds provided under this proposal will permit the Service to increase its efforts to evaluate the effectiveness of mitigation recommendations and to assess the impacts that programs of other Federal and State land management agencies have on fish and wildlife resources. Funds available for contracts will permit us to develop databases on follow-up studies which will be used by field offices in evaluating mitigation recommendations. Funds available for services will permit us to develop agreements for university co-op students to assist in these evaluations and to develop information on sedimentation and erosion problems, grazing, and other land management practices.

Question: Under pre-development consultation, you have added Pacific Northwest Rivers and Estuaries and the North Slope of Alaska to your list of geographic areas of major effort. What is the extent of your involvement in pre-development consultation on the North Slope of Alaska and with Northwest Rivers and estuaries?

Answer: In the case of Alaska's North Slope, pre-development consultation centers primarily on the oil industry's exploration, production and transportation activities. Our pre-development consultation activities in association with Pacific Northwest Rivers and estuaries is more diverse, encompassing development activities such as hydropower production, dredge and fill activities, bulkheading, US Forest Service timber harvesting and road building, areawide land use planning and port development.

Question: What do you expect to happen in those areas in FY 1987 to generate more workload and cause you to concentrate more in these areas?

Answer: On Alaska's North Slope, the Service anticipates increased interest by the oil companies in expansion of East-West and offshore oil facilities. This anticipated increase in future development activity will require the Service to collect specific information on affected fish and wildlife resources (especially migratory birds), evaluate development proposals and develop any appropriate mitigation strategies.

In Pacific Northwest rivers and estuaries, the Service anticipates increased interest and participation in cumulative impact assessment for multiple hydropower project development in certain watersheds. Additionally, the Service sees advantages in more involvement with the Puget Sound Water Quality Authority and the Puget Sound Dredged Disposal Alternatives Study.

Question: How will you be able to handle the additional workload in pre-development consultation without any additional staff?

Answer: It is the Service's experience that investment in pre-development consultation results in a reduction of conflict over mitigation recommendations and a reduced level of effort spent in impact assessment because of better impact avoidance through informed development design. Taken over time, overall workload does not increase significantly as the benefits of pre-development consultation accrue. Available funds will allow us to use co-op students and will also provide us with opportunities to retain existing temporaries who are being scheduled for release.

Predischarge Notifications

Question: There is a change in the Corps of Engineers regulatory program to require project proponents to notify the Corps prior to discharge of fill material if the work would affect 1-10 acres of wetlands. It is the Fish and Wildlife Service's responsibility to recommend whether an additional permit should be required. When did this provision in the Corps regulations go into effect?

Answer: This provision went into effect on October 5, 1984 (Corps of Engineers' Final Regulations for Controlling Certain Activities in Waters of the United States; 33 CFR Parts 320, 323, 325 and 330).

Question: What is the workload associated with this change in the regulations?

Answer: Project proposals that would require the filling of 1 to 10 acres of wetlands would require that the developer notify the Corps of Engineers. This is referred to as pre-discharge notification (PDN). The Service would like to coordinate with the Corps during the review of PDNs and have the opportunity to recommend whether an individual permit would be more appropriate, particularly to address fish and wildlife and wetland losses. Since the Service is currently discussing a review plan for PDNs with the Corps, we are uncertain what type of workload change will accompany PDN reviews.

Question: How will you be able to accommodate this increased workload?

Answer: Similar to the Service's processing of all public notices for individual permit, PDNs are screened for project proposals that would result in potential adverse impacts to fish and wildlife resources. Potential adverse impacts to the resource establishes project review priority, including PDNs. Thus, workloads will fluctuate throughout the field office network based upon the number of PDNs received and the extent of potential adverse impacts to fish and wildlife. Generally we anticipate that most field offices will be able to accommodate PDN review.

Contaminant Problems

Question: What are the major stumbling blocks to taking care of the contaminant problems?

Answer: At present, the major stumbling blocks to solution of contaminant problems, both on and off Service lands, are a shortage of quality contracted (non-Service) analytical capacity, lack of methodologies for analyzing "new generation" chemicals, limited availability of fate and effect data for sub-acute levels of many chemicals and a need for more definitive diagnostic techniques that do not require high levels of chemical residue analysis. With the exception of the shortage of analytical capability, solutions to these problems will require long term research and hence will not be quickly achieved.

Refuge Contaminant Problems

Question: How much of the FY 1986 appropriation is going toward a solution to refuge contaminant problems?

Answer: In FY 1986, the Service will use $2.2 million related to research and operational activities associated with contaminants on refuges.

Question: What specifically are you doing in FY 1986?

Answer: The Service conducted a survey of over 430 wildlife refuges to develop the consolidated national listing of contaminant issues of management concern. This listing was compiled into the report entitled "Preliminary Survey of Contaminant Issues of Concern on National Wildlife Refuges," issued in draft on February 3, 1986. Action plans are now in final stages of development in support of issues identified in the report. The plans will outline response strategies and set priorities for follow-up actions based on such things as the source, nature, and extent of the contamination problem. Many of the response strategies, such as biomonitoring, in-depth studies, and corrective actions, are currently underway in FY 1986.

Question: How much do you have requested to solve refuge contaminant problems in FY 1987?

Answer: The President's FY 1987 budget request includes $2.4 million to address contaminant issues on refuges.

Question: What specifically will you be able to accomplish in FY 1987?

Answer: The $2.4 million will provide support necessary to respond to the highest priority contaminant issues identified in our report while allowing flexibility necessary to follow-up on information that may surface as a result of on-going .studies.

Kesterson/San Joaquin Valley

Question: Are you still on schedule to have the problem drain water shut off from Kesterson by June of this year?

Answer: We expect no change in the scheduled termination of drainage to the San Luis Drain (SLD) and Kesterson National Wildlife Refuge by June 30, 1986.

Question: Has the flow of contaminated water into Kesterson been reduced according to the schedule previously announced?

Answer: Bureau of Reclamation measurements show that until February 1986, the drainwater discharge from the Westlands Water District into the San Luis Drain (and ultimately to Kesterson Reservoir) were within the volumes allowed under the April 1985 agreement between the District and Department. In February and March 1986 the drainwater flows exceeded the permissable levels. The District began plugging the collector drain system in mid-March in order to comply with the April 1985 agreement. The District has assured the Bureau that the drainwater flows will be shut off by June 30, 1986, as required under the agreement.

Question: In the fall, there was concern about securing good water supplies for Kesterson and for the adjacent Grasslands. Do you now, in fact, have good, long term secure sources of water for the Grasslands and Kesterson?

Answer: We have been negotiating with the Bureau of Reclamation (BR)for good quality water for National Wildlife Refuges, State Wildlife Management Areas and Federal wildlife easement areas in the Central Valley of California. A summary of the long-term total water need for these areas is displayed below. The amount of Central Valley Project water we expect to receive during 1986 is also shown and the status of negotiations for water for each area is footnoted.

Annual Water Requirement for
Federal, Private and State Management Areas
in the Central Valley, California

Area	Requirement (Acre Feet)	Central Valley Project Water Expected for 1986	
FEDERAL			
Sacramento NWR	50,000	50,000 (1)	
Delevan NWR	30,000	30,000 (1)	
Colusa NWR	25,000	25,000 (1)	
Sutter NWR	30,000		
San Luis NWR	19,000	19,000 (2)	
Merced NWR	16,000		
Kesterson NWR	10,000	3,500 (3)	6,500 (2)
Kern NWR	25,000	15,000 (4)	
Pixley NWR	6,000		
Subtotal	211,000		

PRIVATE (primarily easement areas)		
Grasslands Resource Cons. Dist.	195,000	50,000 (5)
Butte Sink	51,000	
Subtotal	246,000	
STATE		
Los Banos WMA	25,000	10,000 (6)
Mendota WMA	19,000	23,000 (6)
Volta WMA	16,000	5,000 (6)
Gray Lodge WMA	34,000	8,000 (7)
Subtotal	94,000	
TOTAL	551,000	

(1) These amounts of water have been supplied by the Bureau of Reclamation since the 1960's under an informal arrangement. Fish and Wildlife Service is paying only a delivery cost of $2.50 AF to Glenn-Colusa Irrigation District. The FWS has requested a formal agreement from BR to ensure a long-term water supply, but has not been successful to date.

(2) The 1954 Grasslands Act, 68 stat. 879; 16 USC 695-695j, authorized the Secretary of the Interior to provide 47,000 AF to wildlife areas in the Grasslands Area of the Central Valley (40,000 AF to Federal and 7,000 AF to State). Water was provided to Federal areas for the first time in 1985 and FWS has initiated negotiations with BR for 1986-87. The Bureau of Reclamation was able to provide the water free of charge in 1985. The State Department of Fish and Game paid transportation costs of $8.06 AF. The costs of water and transportation for 1986-7 are not yet determined. The FWS will probably ask the State to pick up transportation costs again in FY 87. If not, the FWS views this as a high-priority item and would reprogram funds for this water from other activities (e.g., water management maintenance and pumping), if necessary.

(3) This is Central Valley Project water which has been provided to Grassland Water District by BR through a water right exchange. GWD provides the 3,500 AF to FWS at no charge.

(4) FWS has initiated negotiations to purchase this amount of water from Bk. Estimated cost is $22/AF. It is estimated that Kern NWR will have sufficient funds to purchase approximately half of the required amount but a final determination has not yet been made.

(5) The 1954 Grasslands Act authorized this amount of water to be provided to private wetlands through the Grasslands Water District. This water has been provided under a 1956 contract with Bureau of Reclamation. Currently there is no charge for this water.

(6) Water provided to State Wildlife Management areas through contract with Bureau of Reclamation. Currently no charge to the State.

(7) Source is a water right delivery by Biggs-West Gridley Irrigation District.

Question: What monitoring program do you have in place for FY 1986?

Answer: The Service is involved in a wide variety of monitoring and toxicological studies and activities related to Kesterson and San Joaquin Valley drainage issues. Some of these include: Fish and Wildlife Coordination Act activities, a survey of selenium contamination in the Grasslands area, a waterbird hazing program, and a variety of research studies to answer questions relating to the irrigation drainage issue. Funding for these studies is provided by the Service, as well as by other Federal agencies such as BR. In FY 1986, the Service has spent in excess of $1 million on these types of studies and $2.7 million will be reimbursed by the Bureau from funds appropriated for the San Joaquin Valley Drainage Programs (SJVDP).

Question: Has the Bureau of Reclamation made available to you funds sufficient to accommodate your needs?

Answer: Due to FY 1986 funding limitations caused by unanticipated needs for Kesterson cleanup planning, FWS will receive $2.77 million in reimbursable funds for studies in support of the San Joaquin Valley Drainage Program. Before budget reductions, a program of $4.4 million was anticipated.

Question: How much is in the Bureau of Reclamation request for FY 1987 for Fish and Wildlife Service activities in the San Joaquin Valley? Is this adequate for your needs?

Answer: The SJVDP has identified its FY 1987 funding level for Service activities at $2.5 million. If funds are available, the Service has identified additional needs of $1.2 million for FY 1987 for the continuation of monitoring and toxicological studies initiated in FY 1986. This figure does not include additional studies such as endangered species impacts, evaporation pond evaluation, disease interactions with contaminant exposure, and other considerations for the the long term solutions to the irrigation drain water problem in the San Joaquin Valley.

Question: At this point, what do you think the most promising solution to the Kesterson situation is?

Answer: The various methods available for addressing the Kesterson situation are being evaluated in an environmental impact statement (EIS) on proposed Kesterson cleanup alternatives and associated land use impacts. The Draft EIS is scheduled for release May 1986. The effectiveness of any cleanup alternative is difficult to assess at this point, and each has varying degrees of risks and benefits to the wildlife resource.

Question: Is it true that your research indicates that the selenium problem is moving up the food chain into the terrestrial ecosystem, where it may threaten endangered species?

Answer: We have preliminary data showing some elevated levels of selenium in small mammals such as voles, muskrats, and shrews; the biological effects are still under interpretation by our scientists. There may or may not be the biomagnification of selenium in the terrestrial ecosystem that occurs in the aquatic ecosystem. Current work is looking into the next level in the terrestrial food chain, focusing on raccoons, with other carnivores also being sampled. Attempts are being made to obtain blood samples from any endangered San Joaquin Kit Fox that may be found, but none have been captured to date. We are proposing additional studies to the Bureau of Reclamation in order to assess the potential risks and impacts on the kit fox at and near Kesterson.

Question: If, in fact, there is evidence that the selenium problem is moving up the food chain, does it mean that the hazing program at Kesterson has not been successful in keeping wildlife away from the contaminated water?

Answer: The objectives and design of the hazing program are focused on detering use by migratory birds, particularly waterfowl. The hazing program has been partially successful in keeping breeding ducks and coots, wading birds, shore birds, raptors and song birds (such as tricolored blackbirds) from using the Kesterson ponds at any season. Other species using the area, such as small mammals and predators, are not affected by the methods being used.

Question: In addition to selenium, is there an indication that there are problems with other contaminants such as boron?

Answer: We are investigating the effects of boron on waterfowl under studies funded by the Bureau of Reclamation. In comparison to controlled laboratory test situations, real-world contaminant exposures, such as the Kesterson situation, are complicated due to the interactions of the many chemicals present and the dynamic effects of the environment on their chemistry. Some contaminants can produce additive or multiplicative biological effects in such situations, termed synergism. Other interactions can produce the opposite net results, that is a partial detoxification. For example, selenium can detoxify heavy metals such as mercury in biological tissues. We are focusing on a number of contaminants in our investigations of the San Joaquin Valley problem and assessment of the risks to fish and wildlife from drain waters. These contaminants include the elements arsenic, boron, cadmium, chromium, copper, iron, lead, manganese, mercury, molybdenum, nickel, selenium, silver and zinc; and selected compounds such as organochlorines and polynuclear aromatic hydrocarbons.

National Wetland Inventory

Question: There are a number of indicators that the wetland resources in the United States are rapidly dwindling. What are your responsibilities in stopping the decline of wetlands?

Answer: The Service's responsibilities in conserving wetland values center on the importance of these habitats to fish and wildlife and our responsibilities concerning natural resouces, namely migratory birds, threatened and endangered species, some marine mammals, anadromous fisheries and Service lands, as prescribed in various statutes. The Service actively pursues the conservation of wetlands through habitat acquisition, consultation with other Federal and State agencies and through various permit and license processes.

Question: What does the loss of wetlands mean for our waterfowl population?

Answer: Since waterfowl are dependent upon wetlands for breeding, migratory and wintering habitat, loss of these resources have detrimental effects on waterfowl populations. Since the various species and life stages of waterfowl are dependent upon different wetland types, it sometimes is difficult to determine the degree of overall waterfowl population decline that will occur with the loss of a certain amount of wetlands habitat. The loss of wetland habitat in the prairie potholes is the environmental change that poses the greatest threat to waterfowl nesting.

Question: How successful are you with the Corps of Engineers when you comment on applications for permits to develop wetlands?

Answer: The measure of success or failure in the Service's attempts to conserve wetlands habitat through the Corps' permit program usually is dependent upon the views of and degree of cooperation enjoyed with individual Corps districts and divisions; in short, the success in protecting wetlands through the permit process varies considerably nationwide. The October 5, 1984, Corps regulatory guidelines providing increased Federal jurisdiction over regulated wetlands has enabled the Service to provide comments affecting additional wetland acreage.

Question: How effective is the National Wetland Inventory in identifying resources and helping you provide information to the Corps of Engineers?

Answer: The National Wetland Inventory (NWI) provides state-of-the-art information for use by the Service in conducting wetland determinations and developing conservation and mitigation plans in response to Corps planning, permitting and construction activities. Although NWI data are not a regulatory tool, they provide irreplaceable information for the Service to use in effecting wetlands protection through a number of avenues.

Question: At the current rate of work on the National Wetlands Inventory, when would you expect to finish?

Answer: In the conterminous States, mapping currently is 45 percent complete and continuing at five percent annually. At this rate, eleven years would be required to completion. Alaska presently is twelve percent mapped. An additional two percent of the State is being completed annually. Top priority areas for mapping, as identified in FY 1977, were the coastal zone, including that of the Great Lakes, the prairie wetlands, playas and the floodplains of major rivers, comprising approximately 55% of the conterminous United States and 16% of Alaska. These top priority areas will be mapped in FY 1988.

Question: What advantages would accrue if the pace of the Wetlands Inventory were increased?

Answer: At present, National Wetland Inventory information for large areas of the Nation are unavailable. As a result the Service may be unable to provide detailed quantitative and qualitative wetlands data to Federal and State permitting, licensing and construction agencies and other interested entities, in a timely manner, for certain geographical areas. By increasing the pace of the Inventory, these missing data would be available sooner. Provision of such data to Federal, State, local and private decision-makers is very important in effecting wetlands conservation. In addition, many States have enacted wetlands protective legislation that utilizes National Wetlands Inventory data as a basis for identification and even regulation. Acceleration of the Inventory would assist these States in implementing their wetland protection programs.

Maps currently are being produced on a priority basis. Priority areas were identified through an analysis of locations used for breeding, transmigration and wintering by migratory waterfowl; areas used by high interest species such as endangered and threatened species; areas used for spawning and rearing by anadromous fishes and by estuarine dependent recreational and commercial fisheries; areas used for special fish and wildlife resource management such as refuges; areas where a sound wetland information base would reduce conflicts about Section 10/404 permits or federally sponsored water resource and energy development projects; and in locations where States have active programs provided for by the Clean Water Act.

Question: What problems, if any, would occur if the Wetlands Inventory were slowed?

Answer: The presently anticipated schedule of availability of Wetlands Inventory information would be disrupted. Data for currently unmapped areas would not be available for use by the Service and other conservation entities in wetland protection efforts, including acquisition and interagency consultation efforts. The Service's ability to provide for wetlands protection in currently unmapped areas would be impaired. Provision of information to States for use in their wetland protection programs would also be impaired.

Question: How do the States benefit from the National Wetlands Inventory?

Answer: The National Wetlands Inventory provides States with ready access to information that is useful in planning wetland conservation projects, in State regulatory activities and reacting to Federal planning, permitting licensing and construction programs. As mentioned, many States with wetland protective statutes and regulations depend on Inventory or similar data for wetland identification and classification.

Question: To what extent do the States participate now?

Answer: The Fish and Wildlife Service wetland maps are available through 18 State-run distribution centers. We provide them with reproductable copies of the maps and they reproduce copies for sale to State residents. Wetland mapping is complete or underway in 49 States. All these States participated in the wetlands mapping in some manner, either by field checking the draft maps or actually conducting the photo-interpretation and field work.

Question: Is is possible to require States to match the Federal effort in the wetlands inventory?

Answer: Currently, eleven States are cost-sharing a total of approximately $350,000 for map production. There is no mechanism to require States to cost-share; however, the Service can and does provide such an option to interested States. Normally, the Service produces wetland maps for top priority areas. When these maps are complete and distributed to State and local governments and the private sector, requests for maps of lower priority areas usually follow. They want the additional maps to be exactly like the existing maps. The best way for States to insure the timely production of the maps is to provide funds to the Service. The ability of the Service to accommodate cost-sharing requests from States, of course, is limited by available funding and the objective to coordinate the completion of top priority areas on schedule.

Steel Shot/Lead Shot

Question: Studies continue to confirm that lead ingestion from the use of lead shot continues to cause deaths among endangered species. Which endangered species continue to suffer from lead shot?

Answer: Perhaps because of the emphasis placed on monitoring selected species in recent years, there is a lack of sufficient data to state unequivocally that there is/is not a lead poisoning problem with endangered or nonendangered species generally. We can state unequivocally that we have a significant lead poisoning problem with waterfowl and, as a result, the endangered bald eagle that feeds on waterfowl. There have been scattered documented instances of lead poisoning in such diverse nonendangered avifauna as hawks, stilts, gulls, quail, partridges, wild turkey, cranes, doves, rails, godwits, dowitchers, and sandpipers. There is a possibilty that some endangered species utilizing habitat or prey containing lead shot could be impacted as well.

Question: What positive action is the Fish and Wildlife Service taking to eliminate or reduce the use of lead shot?

Answer: On January 6, 1986, the FWS published in the Federal Register a proposed rule on zones in the United States in which the use of nontoxic shot would be required for the 1986-87 waterfowl hunting season. Implementation of this rule will result in approximately 47 percent of the waterfowl harvest occurring in nontoxic shot zones. This action will protect a significant part of the bald eagle population as well. Continual monitoring to identify problem areas and conversion of those areas to nontoxic shot will protect increasingly greater numbers of waterfowl and bald eagles. The Service is also in the final stages of completing a Supplemental Environment Impact Statement on the use of lead shot to hunt migratory birds that will help to strengthen and guide future nontoxic shot related management actions.

Question: What has the experience been in Texas where large areas have been put off limits to lead shot? Has steel shot gained acceptance?

Answer: We are unable to provide any comprehensive data that shows the level of steel shot acceptance in Texas as a result of designation of steel shot zones. However, we can cite a ten-year State of Texas study on the Murphree Wildlife Management Area (Big Hill Bayou Unit) that found that hunters using nontoxic steel shot were as effective in the harvest of waterfowl as hunters using lead shot. Increased crippling loss was not demonstrated as a result of steel shot use. We feel that results such as these will create greater confidence in steel by waterfowl hunters throughout the U.S., thus, greater acceptability as well. Other reasons for hunter avoidance of steel shot, e.g. bore scrubbing and choke expansion, have been largely answered by improvements by the ammunition industry.

Question: What would be the effect of H.R. 4433, relating to the use of steel shot? The bill would prevent enforcement of bans on lead shot.

Answer: The bill would prevent the Service from maintaining waterfowl seasons in a closed status for reasons that (1) States refuse to grant approval for steel/nontoxic shot zones or (2) that lead shot use results from a State refusing to grant approval. Most of the States have recognized the problems with the use of lead shot in hunting migratory birds, especially waterfowl. The International Association of Fish and Wildlife Agencies, representing all 50 States, opposed the bill at their meeting on March 28, 1986. They feel the bill would result in an inconsistent application of actions to correct the lead poisoning problem and we agree. Many States would likely proceed with current plans to ban the use of lead shot in hunting waterfowl, but some might not if the Service cannot pursue a consistent program of nontoxic shot implementation. There would remain some level of waterfowl mortality from lead poisoning, and a related mortality of bald eagles. A Federal Court in California has found that the use of lead shot in hunting waterfowl results in an unacceptable level of bald eagle deaths and thus, a violation of the Endangered Species Act (ESA). The Court would undoubtedly be asked again to enforce the ESA.

Contaminants in Estuaries

Question: There is an increase of $320,000 for the "fate and effects of contaminated sediments in estuaries." What specific estuaries do you plan to study?

Answer: Selection of specific estuaries will depend upon several factors. We have a list of known problem estuaries listed below and would select from it based on criteria. We would propose to examine at least, three (3) different estuaries which represent different sediment/contaminant sources (industrial, agricultural and urban) and select one area for study. We intend to coordinate our efforts with activities of other State and Federal agencies. Two such efforts include work being conducted by EPA's Office of Marine and Estuarine Programs in Naragansett Bay and Puget Sound, and NOAA's National Status and Trends Program for Marine Environmental Quality, which covers some 50 estuaries. In these instances our work on biological fate and effects could complement ongoing studies of physical fate and effects. Although a final selection has not yet been made, the most prominent candidate sites are Galveston Bay, Mobile Bay, Baltimore Harbor or the Gulf Intracoastal Waterway for industrial contaminants; Puget Sound, San Francisco Bay or Chesapeake Bay for agricultural contaminants; and New York Harbor/Long Island Sound, Naragansett Bay, or Charleston Harbor for urban-derived contaminants.

List of Bays and Estuaries Known or Suspected to Have Contaminated Sediments of Potential Concern to Fish and Wildlife Resources

- San Francisco Bay - South Bay
- San Francisco Bay - Bay/Delta
- Tijuana Estuary
- Puget Sound
- Galveston Bay
- San Antonio Bay complex
- Corpus Christi Bay/Nueces Bay complex
- Laguna Madre
- Pascagoula River estuary
- Mobile Bay
- St. Andrews Bay (Panama City, FL)
- Tampa Bay
- Savannah River estuary
- Charleston Harbor
- Baltimore Harbor
- Elizabeth River-Bay
- New York Harbor/Long Island Sound
  - Hudson River
  - Newark Bay
- Delaware Bay
- Woman's Bay (Kodiac Island)
- North Slope
- Bristol Bay-Naknak River
- Port Baddez
- Klag Bay (Chichgof Island)

Question: Of the universe of estuaries where you believe there are problems, how many does this allow you to study?

Answer: Although only a small portion of those sites where there are known or potential problems will be studied, the objective of this effort is not to assess the impact of contaminants in all the Nation's estuaries, or even to identify all known problems. Rather, the proposed study will develop generalized knowledge on the kinds of problems, sources and effects that can be expected from contaminant/sediment/biota interactions. As such, the study will give us a broad understanding of the mechanics and significance of contaminants in fish and wildlife resources, regardless of the specific estuary.

Question: Over what period of time will you need to examine specific estuaries?

Answer: The proposed study, which, again, will examine general processes and not details of specific estuaries, would require three years.

Question: On what basis have you chosen these estuaries?

Answer: Criteria that will be used to identify and select study sites include:

- -- availability of existing data
- -- known contaminant sources and sediment loads
- -- Federal interest in fish and wildlife resources
- -- diversity of contaminant concerns
- -- opportunity to work cooperatively with other agencies, such as EPA, NOAA and the Corps of Engineers.

Controlled Burns

Question: The Committee received testimony from the Committee for Humane Legislation criticizing the extensive use of controlled burns by the Fish and Wildlife Service. The criticism is that controlled burns are used to create a better environment for hunting. In the example cited in the testimony, at Blackwater National Wildlife Refuge on the Eastern Shore of Maryland, controlled burning is done to provide a bountiful muskrat "harvest." How would you respond to this criticism of controlled burning?

Answer: The Fish and Wildlife Service (Service) judiciously employs controlled burning to achieve specific wildlife management objectives only after a refuge fire management plan has been approved by the Regional Director. Controlled burning does, in fact, improve habitat for some species of wildlife including some game species. For example, burning old-growth pine forests in the South enhances the endangered red-cockaded woodpecker by keeping the forest open and park-like and at the same time stimulates the growth of succulent low-growing vegetation that white-tail deer utilize. However, controlled burning is never used specifically to "create a better environment for hunting." The objectives of the controlled burning program on Blackwater National Wildlife Refuge are not to provide for a bountiful muskrat harvest, but primarily to remove decadent vegetation for the benefit of Canada and snow geese. This management practice also benefits muskrats, which thrive on the resulting lush vegetation produced following a burn.

Question: What are your primary objectives with controlled burns?

Answer: The primary objectives of controlled burns change with each situation. On some refuges, the primary objective is waterfowl production or wintering habitat enhancement, while on other refuges it may be to benefit endangered species such as red-cockaded woodpeckers or Mississippi sandhill cranes. In general, burning is used to set back or keep vegetation succession at a desired stage. It also promotes a rapid return of nutrients to the ecosystem. Properly timed prescribed burning can decrease undesirable species of vegetation to the benefit of more desired species needed to meet Service wildlife objectives. In some cases, controlled burning is done to protect refuge wildlife resources by reducing the accumulation of fuels sufficient in type and quantity to create the hazard of uncontrollable and devastating wildfires.

Question: Are there species that can be harmed by the use of controlled burning?

Answer: Yes, there are species that can be harmed by the use of controlled burning. Each wildlife species has a habitat type and successional stage in which it thrives best. Controlled burning can be used to maintain or change habitat by setting back or keeping vegetation succession at a desired stage to the benefit of some species (plants and animals) and to the detriment of others. However, wildlife management plans prepared for each refuge weigh these facts with wildlife objectives and strive for a balanced wildlife program with major consideration given to establishing or maintaining maximum wildlife diversity.

Cooperative Research Units

Question: The request for the Cooperative Research Units is $4,564,000, the same as the FY 1987 base. Have you established any new cooperative research units this year or do you have plans to do so?

Answer: The Service will establish a Cooperative Fish and Wildlife Unit in West Virginia as directed by the FY 1986 Senate Report. Additionally, we are conducting a feasibility study on the establishment of a cooperative unit in Minnesota within available funds as requested by the Senate. The report will be submitted in the fourth quarter of FY 1986.

Question: How is the research at the cooperative research units coordinated with that done directly by the Fish and Wildlife Service?

Answer: The research conducted by the Service through its Cooperative Fish and Wildlife Research Units is closely coordinated with that performed by its research laboratories and teams. First, much of the research at the units is funded by Service funds, frequently in cooperation with laboratories and teams, and thus it becomes an integral part of the Service's overall research effort. Second, the units are well informed about the Service's priority research needs, and are asked to seek outside funds in support of those needs. The principal coordination then occurs between units and the laboratories and teams, or between the Division of Cooperative Units and the other Research and Development Divisions.

Question: One of the examples of research done by a Cooperative Research Unit is research on the effects of salt-water intrusion, low dams, and overflows on the ecology of coastal wetlands. How does this fit in with the work the Geological Survey does on salt-water intrusion?

Answer: The Louisiana Cooperative Fish and Wildlife Research Unit and the U.S. Geological Survey are working cooperatively on a salt-water intrusion problem in southeast Texas on the McFadden National Wildlife Refuge. The project originated by the Service, entitled "Community structure and dynamics of fishes and crustaceans in relation to the hydrology and selected physiochemical conditions of a southeast Texas estuary," will provide information for the design, development, and management of a water control structure in the major tidal pass for this estuarine system. The Geological Survey is producing a hydrological model for the research and the Louisiana Cooperative Fish and Wildlife Research Unit is collecting fish and crustacean data.

Question: Does the fact that fewer projects are done in endangered species research indicate a lower priority for these studies?

Answer: The number of endangered species projects conducted by cooperative units does not reflect a lower priority. It results from the total funds available for research from all cooperators when only the federal contribution emphasizes research on endangered species. In addition, information needs on endangered species represent a relatively small portion of the total fish and wildlife information needs.

Refuge Public Visits

Question: In last year's justification you estimated the number of public visits to be 26.5 million in FY 1986. Now you are estimating the number of visits at 24.5 million. (FWS-71) What has happened to reduce the expected number of visits?

Answer: The FY 1986 public visitation estimate in this year's budget justification has been adjusted using actual public visitation for FY 1985 as a basis. Since FY 1980, total public visitation has fluctuated year-to-year between 23 and 26 million making predictions difficult for the lack of any definitive trend.

Question: What percentage of the visits is related to hunting?

Answer: Approximately 5% of the total public visitation to refuges is related to hunting.

Question: How does the estimate of 31.9 million visits listed on FWS-75 differ from the 24.5 million on FWS-71?

Answer: The 31.9 million visits listed on FWS-75 relate to discrete uses. Visitors to a refuge may participate in more than one of the listed activities (FWS-75) during their visit. Thus a visitor who fished in refuge waters and visited the refuge's visitor center the same day would be counted for an activity visit for both categories but only as one public visitation as reported on FWS 71.

Forest Management

Question: Last year you claimed to have forest management responsibility for 5.3 million acres. Now, this year, you tell us you have 13.5 million acres under forest management. Please explain this large difference.

Answer: The figure for forest management in last year's budget justification reflects a figure based on a FY 1981 land inventory. This inventory did not contain all the refuge lands established by ANILCA. Unfortunately, last year's and previous year's budget justifications brought the 5.3 million figure forward instead of using up-to-date land inventory figures. The 13.5 million in this year's budget justification reflects current land inventory figures. Alaska refuges contain 12.3 million acres of forests.

Grassland Acreage

Question: Similarly, the number of grassland acres has increased from 2.1 million to 2.8 million. Please explain this increase of one-third.

Answer: The figure for grassland management in last year's budget justification reflects a figure based on a FY 1981 land inventory. This inventory did not contain all the refuge lands established by ANILCA. Unfortunately, last year's and previous year's budget justifications brought the 2.1 million figure forward instead of using up-to-date land inventory figures. The 2.8 million in this year's budget justification reflects current land inventory figures. Alaska refuges contain 1.5 million acres of grasslands.

Qualifying Phrase "when practicable"

Question: The goals of the National Wildlife Refuge System have changed from last year's justification to this year's justification. This year the qualifying phrase "when practicable" has been added to the goal "to preserve, restore, and enhance in their natural ecosystems (when practicable) all species of animals and plants that are endangered or threatened with becoming endangered" (FWS-72). What impracticable circumstances would keep you from meeting your goal?

Answer: The phrase "when practicable" was added in reference to management of "natural ecosystems" and the recognition that in some cases endangered and threatened species management may involve rather intensive artificial manipulation of habitats resulting in what could be considered an unnatural situation. Service policy continues to stress the use of the least intensive (most natural) management measures necessary to achieve wildlife objectives.

Question: To what extent do budget restrictions keep you from meeting your goal?

Answer: Habitat loss, in many instances, is one of the key factors affecting a species to the extent that they become threatened or endangered. Using the example of the everglade kite (which feeds only on the apple snail), adequate snail habitat is one of the limiting factors of the species. A management program aimed at increasing productive snail habitat (and thus kite habitat) might involve large scale creation of marshes conducive to apple snail growth and reproduction. Such a management program would be labor intensive and very expensive. Budgetary restrictions could make such an action plan impracticable though not impossible.

Proper planning and detailed species recovery plans take into consideration budgetary constraints as much as possible. The Service budget takes into account the management needs of endangered or threatened species on refuges as it plans annual work projects. Priorities and cost determinations are then fixed in the annual work plans and necessary work is accomplished. Our goals are then accomplished in line with available resources, both budgetary and personnel.

Buenos Aires NWR

Question: The budget document is extremely confusing. For the Buenos Aires NWR in Arizona, for example, the budget at page FWS-82 indicates there is no base funding and requests an increase of $250,000 for this refuge. Yet in the back of the justification, in the tables showing the funding history for all Fish and Wildlife Service units, Buenos Aires is shown as having received $237,000 in FY 1985, $66,000 in FY 1986 and will receive $304,000 in FY 1987. In total, there is a requested increase of $1,646,000 for new and expanded refuge operations. Please explain to the Committee this discrepancy. (The House report last year used Buenos Aires as an example of why additional funds were needed for refuges.)

Answer: The funding information provided in the field station listing in the budget justification represents total funding from all Resource Management Appropriation programs for the Service. The Buenos Aires listing is comprised of the following detail:

	$000		
Program/Activity	FY 1985	FY 1986	FY 1987
Refuge O&M	177	0	250
Endangered Species	60	54	54
YCC	0	12	0
Totals	237	66	304

FY 1985 figures represent actual expenditures while the FY 1986 and FY 1987 figures represent planned expenditures.

Refuge O&M funding in FY 1985 was redirected from all other Region 2 (Arizona, New Mexico, Texas, and Oklahoma) refuges to begin operations at Buenos Aires NWR. Even though additional O&M funds were provided in FY 1986 by Congress, after funding the YCC program from within existing funds as directed and absorbing the Gramm-Rudman reductions the Service was unable to provide permanent refuge O&M funding to Buenos Aires NWR. However, in FY 1986 the Service is again redirecting O&M funds from other refuges to Buenos Aires NWR to provide for basic operation of the station. A total of $193,000 will be redirected for this purpose during FY 1986. This information is being reported in the FY 1986 second quarter Quarterly Report of Reprogramming Actions.

In addition to refuge O&M funding, the Service is providing endangered species funds to Buenos Aires NWR for the recovery of the masked bobwhite. Activities include the introduction of the birds, periodic censuses of the population, and monitoring of their habitat.

The Service has also provided $12,000 of YCC funding to Buenos Aires NWR in FY 1986. Activities will include painting buildings, building sidewalks, installation of signs, and construction of nesting boxes.

FY 87 Refuge Budget Increases

Question: Provide for the record a detailed explanation of the $410,000 increase for other services, the $942,000 increase for supplies and materials and the $120,000 requested for equipment.

Answer: The purpose of the $1,646,000 increase is to expand operational activities at Refuges and Wetland Management Districts established or enlarged since 1983 so that they can be brought closer to the same operational level as areas established prior to that time. Funds will be used for a wide variety of operational activities at 16 Refuges and 8 Wetland Management Districts as listed on page FWS-82 of the FY 87 Budget Justification. Funding levels for each listed station were developed by station managers in conjunction with regional office managers. Funding for the three above object classes includes the following: a) Other Services ($410,000)-Expanded contracts for habitat management activities for endangered species, waterfowl and other wildlife; expanded law enforcement and visitor services at selected stations. As an example, most of the $97,000 requested for Wetland Management Districts in Minnesota is planned for contracting application of herbicides to improve grassland habitat for nesting waterfowl. b) Supplies and Materials ($942,000)-Purchase of a wide variety of items to support operations to include signs, fencing, road gravel, water control structures, nesting structures, fuel, grass seed, office supplies, small tools, hardware and associated items. For example, Buenos Aires NWR in Arizona plans to purchase fencing supplies at a cost of $5,300. c) Equipment ($120,000)-Purchase of new equipment such as tractors and attachments, boats, water pumps and fire control equipment at selected stations. As an example, Big Boggy NWR in Texas plans to purchase an airboat for $15,000. Specific details will be provided separately to the Subcommittee.

Question: Provide the same information for the same categories for the $730,000 increase for operational funds for existing refuges.

Answer: The requested $730,000 increase is to provide for day-to-day operational activities (activities of a continued nature) at 87 existing Refuge and Wetland Management Districts. The specific funding levels for each station are listed on pages FWS 84 and 85 of the FY 87 Budget Justification and were developed by station managers in conjuction with regional office managers. Priority will be given to endangered species, migratory waterfowl and health and safety items. Expenditures under the object classes of other services, supplies and materials and equipment will be similar to those described above for the increases at new and expanded refuges; however, most of the funding will be used for small purchases. Specific details will be provided separately to the Subcommittee.

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Law Enforcement and Protection

Question: The request for law enforcement is $9,708,000, the same as the FY 1987 base. To what extent does your law enforcement focus on animals as opposed to plants?

Answer: Congress has provided for the protection of plants under both the Endangered Species Act of 1973, and the Lacey Act Amendments of 1981. The enforcement authority for violations involving plants is specifically delegated by Congress in each statute. The Secretary of Agriculture has specific enforcement authority for violations involving the importation and exportation of terrestrial plants under both acts, as well as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). The Secretary of the Interior has enforcement responsibility for other violations involving plants, e.g., taking within the United States, sale in interstate commerce, etc. In addition, the prohibitions of both acts, with respect to plants, are much less inclusive than the prohibitions involving animal species.

For FY 1987 Law Enforcement activities, a total of $9,708,000 is requested for the Wildlife Resources Program, and $7,240,000 for the Endangered Species Program. Individual special agents are not usually assigned to any one specific enforcement area (e.g., migratory birds, plants, or endangered species). Instead, they perform a wide variety of law enforcement work, involving the protection needs of resources under the purview of each Service program. No accurate breakout is available by time or cost spent on animals vs. plant casework.

Question: Of the convictions, fines, penalties, and forfeitures for FY 1985, how many are related to plants?

Answer: Most of the alleged violations that are reported to the Service involve violations of CITES, or other violations involving the importations or exportations of plants. These matters are referred to the Department of Agriculture for appropriate action. During FY 1985, the Service investigated 111 alleged violations of the Lacey Act and the Endangered Species Act involving plants. Most of these involve continuing investigations, and therefore have not been adjudicated. Computer records indicate that no fines, penalties, or forfeitures were assessed for violations involving plants in FY 1985. The Service is, however, preparing several plant investigations for presentation to the Department of Justice for prosecution at this time.

Transfer of Animal Damage Control Program

Question: In FY 1986, the animal damage control program was transferred to the Department of Agriculture. What continuing role do you see for the Fish and Wildlife Service in the animal damage control program?

Answer: The Fish and Wildlife Service will continue to exercise regulatory oversight over some aspects of the animal damage control program and limited involvement in the registration of certain chemicals for use in controlling animal damage. The Department of Agriculture is required to obtain permits for taking of migratory birds and to consult with the Fish and Wildlife Service when it implements programs to control endangered species or otherwise impact them. The Environmental Protection Agency is required to consult with the Fish and Wildlife Service before it registers chemicals for control of wildlife so as to determine the effect on endangered species and to formulate label restrictions to protect endangered species.

Question: What resources do you have remaining to be able to consult with the Department of Agriculture on the animal damage control program?

Answer: No animal damage control program funds were retained in the Department of Interior. However, in FY 1986 the Service will expend approximately $1.7 million of base funds (excluding State Grants) for regulations associated with predator control activities. In addition, it is estimated that the Service will use approximately $1.1 million in responding to ADC operations of USDA. This funding will be used to administer agreements with USDA to conduct ADC activities where damage is being caused by endangered species or for the protection of endangered species; fund contracts with USDA for ADC activities on Service lands; fund consultations, biological opinions and on-site visits as required by Section 7, Endangered Species Act; and monitor compliance with consultation decisions and permits both during and after ADC activities have been conducted. All costs associated with these activities will be absorbed using base funds.

Question: What impact dees this transfer have on the Denver Wildlife Research Center?

Answer: The Denver Wildlife Research Center and all personnel except those in the Ecology Section at Fort Collins, Colorado, were transferred to the Department of Agriculture.

Population Management - Vehicles

Question: Included as part of this request is $350,000 for "equipment (vehicles, traps, nets, etc.)." What type and how many vehicles would you purchase with this money?

Answer: We will not be purchasing any passenger vehicles or light trucks (under 8,500 pounds). We plan to purchase 2-4 vehicles over 8,500 pounds with these funds.

Question: What authority to purchase new vehicles will you use since you have not requested this authority in the administrative provisions (FWS-332)?

Answer: The Service is not planning to purchase passenger motor vehicles for which authority is required. The possible purchase of light duty cargo vehicles (over 8,500 pounds) is not included in the authority in the administrative provisions, which applies to passenger vehicles.

Wildlife Research and Development

Question: The request for research and development is $13,060,000, an increase of $2,034,000 over the base level. Of the increase, $1,734,000 is related to wildlife research and $300,000 is related to maintenance for three Service-owned wildlife research laboratories and a number of research field stations. What are the most significant problems you are trying to address with the increase for wildlife research?

Answer: The proposed increase in wildlife research is designed to accelerate waterfowl research in three major categories: nonhunting mortality, population estimation and modeling. Disease, predation, contaminants, habitat alteration and other factors unrelated to hunting, contribute substantially to the continuing decline in continental populations of waterfowl species. Research is proposed in breeding and wintering habitats to address these problems. In addition, research is proposed to improve or develop new methods to accurately monitor waterfowl populations, production and harvest. Improved reliability of our monitoring program will facilitate our management efforts. In addition, expanded modeling research will enable the Service to predict with greater accuracy the effects of management and natural events on waterfowl populations.

Question: What are some promising methods for improving estimates of waterfowl populations?

Answer: Increased research funding is proposed to enhance accuracy in continental population surveys, to improve estimates of production and populations on Service lands and to reduce bias in waterfowl harvest estimates. Research in relation to continental population surveys will be conducted to reduce observer bias by experimenting with improving visibility adjustments and enhancing air-ground correction factors (including ground truthing). Statistically designed winter surveys will be developed for key species. Ongoing research on multispectral scanners for montioring wintering goose populations will be accelerated. Research on Service lands in the prairie region will involve development and application of remote sensing and other related methods to monitor habitat conditions, breeding populations and recruitment and enhancing air-ground correction factors. Improvements in waterfowl harvest estimates will be possible by correcting known biases, through conducting a followup survey after receiving several non-responses to the Service's questionnaire surveys.

Question: Will you use the $600,000 for contracts or will this allow your in-house staff to do the work?

Answer: Virtually all of the proposed research will be conducted in-house, with a small amount contracted. Fish and Wildlife Service staff and monetary resources will be made available for this work through the normal process of some research projects reaching completion and those resources being reallocated.

Question: With the results of the 5-year studies on stabilized bird hunting regulations about to be released, and with the known dismal status of the top ten migratory gamebird species, why is the Service asking for increase in studies on the mortality factors and population status of migratory waterfowl?

Answer: The stabilized hunting regulations study was developed to gather data relevant to the development of a strategy for duck harvest management. More specifically, the study was planned to assess the effects of stabilized regulations on duck populations, determine what factors influenced mallard harvest and determine if mallard recruitment rates are adequate to achieve population objectives. Separate investigations of breeding populations, production, survival, recruitment, habitat and hunter activity have been underway. The proposed increase in FY 1987 will concentrate on non-hunting mortality factors that affect waterfowl populations, including the ten most common duck species addressed in the North American Waterfowl Management Plan, and on development of improved methods to assess and predict the effects of various management strategies. It is anticipated that only through effective management of both hunter harvest and non-hunting mortality can the downward trend of continental waterfowl populations be stopped and, hopefully, reversed.

Question: Why do you need to increase travel in this category by $155,500?

Answer: The proposed travel allotment for the waterfowl research increase represents only 5 percent of the budget for this project. Field studies included in this package will be conducted in more than a dozen States, within all waterfowl flyways. The type of research proposed involves extensive data collection and field experimentation over extended periods, thus requiring additional travel.

Nongame Research

Question: What specifically do you propose to do with the $1,144,000 requested for nongame species?

Answer: Funds described in the nongame wildlife research category base will be spent on continuing research underway in Alaska, Colorado, and Maryland. Principal species under study include Alaskan seabirds, coastal waterbirds and migratory forest birds in both North and South America. Projects ending in FY 1986 will be replaced with new studies of selected species designed to refine population sampling methods, to identify habitat requirements and limiting factors, and to develop management methods to restore populations.

Southeastern Cooperative Wildlife Disease Study

Question: Where and how has the Service improved its capabilities to manage wildlife disease outbreaks that allow you to stop funds for the Southeastern Cooperative Wildlife Disease Study?

Answer: Several factors were involved in reaching the decision to stop Service funding for the Southeastern Cooperative Wildlife Disease Study (SCWDS).

Management of disease outbreaks involving migratory birds or endangered species on Service lands has been carried out by the Service prior to and since development of the National Wildlife Health Laboratory in Madison, Wisconsin (NWHL) and will continue. The Service has always responded with assistance in the management of disease in species under Service jurisidiction when requested by a State. At one time or another assistance has been provided to virtually all States. In addition, several have developed their own wildlife disease programs or use expertise at various universities throughout the country, none of which receive Service funding.

Since the NWHL began in 1975 the Service's capability to manage disease outbreaks has grown substantially. Staffing at the NWHL has expanded from 15 to 45 over the last 10 years. Expertise and lab capabilities now include pathology, bacteriology, virology, parasitology, chemistry, epidemiology and wildlife biology. The NWHL's Rapid Response Team, which became fully operational in 1983, now includes five disease control specialists available 365 days/year. Enhanced physical facilities have also eliminated Service dependency on others for essential services. The main laboratory building, dedicated in 1983, contains all essential diagnostic laboratories to support disease management activities. This summer, a second laboratory building will be completed which contains research laboratories and animal isolation rooms for infectious disease studies. With the dedication of this building NWHL physical facilities will be the most complete found anywhere in the world for the sole support of wildlife disease investigations. Finally, it should be noted that the NWHL has provided training for several thousand wildlife biologists to enhance their disease identification and management capability. This training also serves to enhance NWHL capabilities through future collaboration.

Subsistence Funding

Question: What is the effect of not providing further funding for Alaska subsistence? The justification simply states: "further funding has been determined to be unnecessary". (FWS-111) $974,000 is the base amount.

Answer: The FWS has previously provided approximately $1 million a year to the State of Alaska for use in a subsistence management program on which the State expends approximately $5 million annually. The Federal funding was used to partially finance the operations of the 72 local advisory committees, 6 regional councils and 31 Alaska Department of Fish and Game subsistence resource projects. The elimination, in FY 1987, of this subsistence grant of $974,000 could require the State to reduce or curtail some of the lower priority aspects of this program. However, it is consistent with the general thrust throughout our budget to eliminate several grant programs where the States can make contributions and support the projects on their own.

Hatchery Operations and Maintenance

Question: The request for hatchery operations is $20,274,000 and represents a reduction of $1,075,000 from the base. Proposed closure of six hatcheries, one field station, and seven interpretation and recreation facilities (aquaria) accounts for all the reduction. Of the facilities proposed for closure, are there any where there is a good prospect for a State or any other group to take over the hatchery?

Answer: The State of Kentucky has indicated an interest in assuming operation of the Frankfort hatchery. At this time, no other State has indicated interest in assuming operation of any of the other hatcheries.

Question: Are you actively pursuing States to take over the hatcheries?

Answer: We have informed the respective States of the budget proposal and that the hatcheries will be made available for State management. These hatcheries can provide substantial benefits to State fishery management programs, and the Service strongly encourages the States to assume operation if at all possible.

Question: What would happen to the employees associated with the facilities proposed for closure?

Answer: We would offer them positions elsewhere in the Fish and Wildlife Service and, if they accepted, move them to the new locations.

Question: How many people are associated with the hatcheries?

Answer: At this time, there are 24 permanent employees and 1 temporary employee at the 7 units proposed for closure or transfer.

Question: What is the value of the facilities proposed for transfer or closure?

Answer: Estimating the commercial market value of the facilities as they exist would be very difficult. Replacement value, that is the estimated cost of acquiring comparable facilities (including land aquisition; constructing buildings, ponds, raceways, and other fish production facilties; and purchasing necessary operational equipment), would perhaps be more relevant. A gross estimate of replacement cost would be approximately $53,500,000; estimates by individual facility follow:

Hatcheries	Cost	Aquariums	Cost
Carbon Hill, AL	3,000,000	Welaka, FL	500,000
Mammoth Spring, AR	6,000,000	Natchitoches, LA	500,000
Warm Springs, GA	7,000,000	Millen, GA	500,000
Frankfort, KY	8,000,000	Meridian, MS	500,000
Natchitoches, LA	12,000,000	Dexter, NM	100,000
Private John Allen, MS	4,000,000	Gavins Point, SD	1,400,000
Bears Bluff, SC	10,000,000		3,500,000
	$50,000,000		

Question: The request for hatchery maintenance is $3,587,000, a reduction of $994,000 from the base. In FY 1985, the Service transferred $750,000 from hatchery maintenance to operations. In FY 1986, are you transferring any money from hatchery maintenance to hatchery operations?

Answer: No, we are not. The Congress provided an additional $994,000 for hatchery operations in the FY 1986 appropriation that relieved the immediate operations funding shortfall. Therefore, there should be no need to divert additional maintenance funds to cover operational costs.

Question: How would you describe the condition of the hatchery system?

Answer: Facility condition ranges from excellent for the newer hatcheries to less-than-ideal for many of the older ones. Although some maintenance needs exist at many hatcheries, actual fish production has not been significantly compromised. Available maintenance funds have been focused on maintaining essential production capability. The overall condition of the hatchery system could be described as adequate to maintain current levels of fish production.

Question: Are there any health and safety problems that will go unattended because of the proposed reduction.

Answer: The first priority for allocation and use of hatchery maintenance funds is health and safety-related projects. This ensures correction as soon as possible after a problem or need is identified and prevents development of serious hazards or problems. The proposed reduction will not change this policy, nor do we anticipate that it will result in any health or safety problems going unattended.

Question: Are their any problems which keep any of the hatcheries from operating at or near capacity?

Answer: There are several hatcheries where "potential" production capability is reduced. However, for the most part, present production is adequate to meet current fishery management needs. The Service believes requested hatchery maintenance funds will be adequate to maintain the current level of fish production for the hatchery system.

Endangered Species

Question: The request for endangered species is $23,160,000, a reduction of $6,737,000 from the base. The major portion of the reduction is elimination of grants to states (-$4,393,000). Given the proposed reduction in the listing of endangered species, what workload will you be able to accomplish during FY 1987? How does this compare to what you are able to do this year?

Answer: The number of final and proposed listings in FY 1987 would not be affected by the requested reduction of $249,000. As in FY 1986, we are expecting to complete 50 to 60 final and proposed listings. The impact of the proposed funding reduction would be a curtailment in the number of status surveys for which contracts would be awarded. This reduced number of FY 1987 status surveys completed would influence which species will be proposed, not how many will be proposed, beginning in FY 1989.

Question: What creates the backlog in the listing of endangered species?

Answer: The backlog is due to the large number of candidate species awaiting listing and/or status surveys. Approximately 900 species await listing and approximately 3,000 species need additional status information gathered. Many of this latter group may also warrant listing. The Endangered Species Program is currently listing species at a rate of 50 U.S. species per year and conducting status reviews at a rate of 75-100 per year.

Question: Why is the Office of Legislative Services on the list of offices to review proposed additions to the endangered species list before a determination to list is made?

Answer: The Office of Legislative Services reviews proposed additions to the list in order to further identify sensitive listing issues. In addition, it initiates communications with Service and Congressional staffs as judged appropriate, to assist in keeping the issues from growing out of proportion to their real significance.

Question: Aren't these determinations to be based on biological data only?

Answer: Yes. Listing determinations have been and continue to be, without exception, based on biological data only.

Question: To what extent are the current personnel ceilings and lack of funds each limiting the listing and consultation functions?

Answer: The number of species that can be listed in any time interval is in direct proportion to the funding and number of people in the field available to develop proposed and final rules. Doubling or quadrupling personnel would be followed, after a one or two-year lag period, by doubling or quadrupling annually the number of species listed. However, while the addition of listing funds and staff would result in an increased number of species being listed, there is a multiplier effect on other Endangered Species Program components. A 1985 Program survey of 120 listed species found a direct correlation in workload and costs generated from listing a species. That is, for every new native species listed, on the average, there will be 25-30 Section 7 consultations per year (at an estimated annual cost of $5,000), and a new recovery plan to be developed and approved, with 20-30 recovery actions to be implemented (estimated annual cost of $25,000). Thus, for every 50 U.S. species listed, the Program projects future costs of $1,500,000 per year, with an average time span of ten years per species.

In addition, the workload in permits and protection also increases per new species listed.

The current rate of listing native species is believed sufficient to meet Service responsibilities under the Act and ensure that species are identified and listed prior to their extinction, without any further resource increases. Although the consultation workload is projected to increase approximately 25 percent each year, the Service will continue to emphasize the use of informal consultations with other Federal agencies. This effort is expected to continue in the future, thereby precluding the need for additional consultation resources or staff.

Question: How do you determine which species are your priority for listing?

Answer: The Service, in conducting its species listing process, utilizes the Listing Priority Guidelines that were published in the September 21, 1983, Federal Register. A copy will be provided separately to the Subcommittee.

Question: What is the relative priority of animals to plants in the listing of endangered species?

Answer: According the listing guidelines, the magnitude and immediacy of threat and the taxonomic uniqueness of the species are the only factors considered. Whether a species is a vertebrate animal, invertebrate animal, or plant is not considered in determining its listing priority.

Question: Please explain the proposed reduction of $249,000 for listing.

Answer: The same amount was added by the Congress in FY 1986 to expand the number of status surveys conducted for candidate species. As explained above, reducing the amount of funding available for surveys will have no impact on the number of species expected to be proposed for listing or listed in FY 1987. With the number of candidate species now awaiting formal action, the Service believes that sufficient resources are requested in the President's budget to continue surveying (without the need to accelerate the pace), as well as to list those species already determined as eligible.

Question: How effective have you been in protecting the Puerto Rican plain pigeon?

Answer: Service funding is supporting captive propagation now being conducted on this pigeon by staff of the University of Puerto Rico for future releases into the wild. A continuing problem is illegal hunting in no hunting zones on mainly private land, resulting in the loss of an undetermined number of birds. The Commonwealth has posted these areas but there appears to be little enforcement activity. To address this problem, the Service will be utilizing the additional law enforcement funds appropriated by Congress in FY 1986 to conduct an intense, one-year public education and identification campaign, consisting of local media coverage about the plight of this pigeon, possible information included in the printed hunting regulations, and increased Service law enforcement presence.

Question: What equipment have you purchased for the Convention on International Trade in Endangered Species?

Answer: With the additional funds provided in FY 1986, the Service will be expanding the microfiche system in the Wildlife Permit Office. This will include a camera/processor and reader/printer, plus related accessories, maintenance, and staff training. This system will expedite filming, storage, and retrieval of CITES permit documents and other important records. In addition, the Service will be upgrading the existing telex capability with new equipment compatible with present data processing functions in the office. Along with associated software and training, this is expected to reduce by 75 percent the time required to send and receive telex messages, thereby providing for increased permit processing.

Animal Damage Control

Question: What reaction would you have to a program to pay compensation to stockmen who take preventative measures but still lose livestock on private land to listed predators?

Answer: In December 1985, Congress transferred the administration of the Animal Damage Control program from the Department of the Interior (Service) to the Department of Agriculture (APHIS). It is our understanding that APHIS will continue to maintain the same policy for livestock loss from listed predators as did the Service; however, the Service will continue to be involved with these activities through cooperation and consultation with APHIS. The Service has reviewed the concept of indemnity for depredation from both listed (e.g., wolf/livestock) and nonlisted species (e.g., migratory birds/crop depredation). In both cases it was judged inappropriate for the Federal government to compensate for depredation. This long-standing policy is based on past surveys conducted by EPA, GAO and private economic groups, with results showing that Federal compensation or national insurance (such as for crops) would be too costly to administer, and too difficult to prove cause of death. Historically, the Service tried to reduce or eliminate depredation by management of the depredating species (e.g., wolf control in Minnesota), or encouraging reduction in prey availability (e.g., modification of lambing and calving practices).

Question: What experience has Minnesota had with its program related to wolves?

Answer: The depredation compensation program in Minnesota has had mixed results. The program in operation for the last five years has been effective, albeit expensive, in compensating farmers for losses associated with depredating wolves. In fact, the Minnesota Department of Agriculture has been lenient in providing compensation to the point of paying farmers for depredation losses inflicted by other nonlisted canids (dogs and coyotes). However, a relatively small number of farmers are receiving the majority of the compensation funds. The compensation program is not necessarily the answer to the depredation problem, as many farmers are still convinced that there are too many wolves. Also, most livestock depredation in Minnesota can be linked to inadequate husbandry and/or farming practices.

California Condor

Question: The Fish and Wildlife Service has successfully been taken to court for its actions related to the California condor. What is the current status of the California condor?

Answer: Currently we know of only five condors surviving in the wild. There are an additional 21 birds in captivity. They are being housed at the San Diego Wild Animal Park (part of the San Diego Zoo) and the Los Angeles Zoo.

Question: Would you agree with the Director of the National Zoo that the number of California condors is so small that there is very little possibility that the species can survive?

Answer: While a total population of only 26 birds is not an ideal founding population, it is not so small as to be predestined for failure. In the 1940's, the whooping crane numbered less than 20 individuals, yet its population is now many more than that (168 at last count). Every species has a different threshold from which there is no return.

Question: At what point would you give up on the condor?

Answer: For the California condor, we have no way of knowing what that threshold is or when we have passed it. We can only continue to work with the species as long as it is available and hope that our best efforts will increase its probability for survival. As long as there are condors, we do not expect to "give up" on them.

Hudson Ranch

Question: At this point, how actively are you pursuing purchase of the Hudson Ranch as a habitat for the California Condor?

Answer: The land in question has been appraised and a new offer was forwarded to Hudson Ranch Associates on April 11, 1986. The Service's next step in the negotiation process will be largely dictated by the response (or lack thereof) to this latest offer. The Congressional delegation has been, and will continue to be, kept advised.

Question: Are there other nearby land acquisitions which would be equally as valuable for the Condor?

Answer: We are also reviewing and evaluating other sites for potential condor release and supplemental feeding.

Question: How frequently and how thoroughly do you monitor the condors at the Los Angeles and San Diego Zoos?

Answer: The Service inspects the captive condors and the facilities at the Los Angeles and San Diego Zoos on an annual basis.

Question: How was it possible for the Los Angeles Zoo to mishandle the condors so that they could not be released to the wild?

Answer: The incident at the Los Angeles Zoo that resulted in the mishandling of condors so that they could not be released to the wild was the result of miscommunication. An official decision to cancel the planned October 1985 release to the wild of condors being held in captivity was misconstrued by the Los Angeles Zoo. The Service intended that the release would be postponed to at least April 1986, while the Zoo thought no release at all would occur. As a result of this misinterpretation, the Zoo's captive birds were taken out of isolation, and exposed to human presence, primarily during feeding times. These birds are now believed to be incompatible for subsequent release, but remain valuable components of the present captive breeding population.

Question: Have you changed your monitoring of the zoos now to prevent a recurrence of the incident with the Los Angeles Zoo?

Answer: Yes, we have. An annual (or more frequently if necessary) inspection of both zoos is performed by Service representatives from Patuxent Wildlife Research Center (PWRC). In addition, the Service representative at the Condor Research Center speaks to each zoo on a weekly basis, or more frequently if necessary. Further, to insure that no additional mistakes similar to the 1985 mishandling of chicks occurs, the zoos must receive approval from the Federal permit holder (PWRC) prior to making any changes in their husbandry of captive condors.

Question: Are you satisfied that there are enough breeding pairs to maintain and expand the California condor species?

Answer: In 1986, only one pair of condors has bred. This was a wild pair, and its first egg was lost (probably because of a thin shell). A second egg has now been laid and collected by the Service. Having 21 birds in captivity and the hopes of adding the five birds currently known to exist in the wild to our captive flock, we potentially have a number of breeding pairs in captivity. Most of the birds, however, are immature and are not expected to reach breeding age for several years. We have thus far had no breeding take place in captivity. From a genetic standpoint, our captive flock does not form an ideal base from which to begin a captive propagation program. Even after adding the five currently wild birds to our program (if allowed by the court), we will not have the ideal base. It will however, be the best possible foundation, given the current status of the species. In other words, upon the addition of the remaining wild birds to our captive flock, we will be providing the condor with the best possible chance for survival through captive propagation. We believe this is the only chance the condor has for survival.

Question: What will be lost with the $298,000 decrease in the California condor program?

Answer: The requested reduction of $298,000 in the FY 1987 California condor recovery program is not expected to have adverse effects upon that program. Field monitoring costs and other field work in FY 1987 are expected to be reduced because, if allowed, we still plan to remove the remaining birds from the wild.

Whooping Crane

Question: Where do we stand with the whooping crane at this point?

Answer: Management actions by Federal, State, and private organizations have brought whoopers back from the brink of extinction. From a low point in 1945, when only 19 whoopers were counted, numbers have gradually increased and now there are an estimated 168 cranes, including both wild and captive populations. The wild flocks consist of 97 birds for the Texas/Canada population, and 31 birds for the Idaho/New Mexico population. The recovery plan calls for the establishment of a third population and the Service is presently studying potential sites. Captive birds include 38 birds at Patuxent Wildlife Research Center, one bird at the San Antonio Zoo, and another bird at International Crane Foundation, Wisconsin.

The only natural reproduction of whooping cranes occurs at Wood Buffalo National Park in northern Canada. The Canadian Wildlife Service (CWS) manages this area and conducts annual breeding surveys. The CWS and Service cooperatively band the young-of-the-year for population studies. This Canadian flock migrates an arduous 2,500 miles twice a year, between their Canadian nesting grounds and their Texas wintering grounds at Aransas National Wildlife Refuge. In 1975, it was decided to establish a second whooping crane flock. In that year, whooper eggs were taken from Canada to Gray's Lake NWR in Idaho. There they were placed in the nests of sandhill cranes, a slightly smaller relative of the whoopers. Acting as foster parents, the Gray's Lake sandhill cranes hatched and raised four whooper chicks in 1975. This process has occurred annually and at the present time, there are 21 adult whoopers and 10 chicks in this population. All of these birds have been introduced by man, but hopefully, this population will have natural reproduction in the near future.

Question: Do you permit hunting at Bosque del Apache NWR when the whooping cranes are present? If so, what precautions do you take to assure that the whooping cranes are protected?

Answer: Hunting is permitted on this refuge when whooping cranes are present, but special precautions are taken to protect whooping cranes. Snow geese numbers wintering at Bosque have risen steadily for the past decade, to the peak of 57,000 in 1985. Both the Service and the State of New Mexico are anxious to reduce the number of geese at Bosque, because of the likelihood of disease and in order to leave some food for the whooping cranes. Hunting snow geese on Bosque (steel shot only) has occurred since 1965.

The present goose hunting season on Bosque del Apache NWR is divided into an early marsh hunt (October-November) and a late (February) field hunt. The cranes and geese depart the marsh roost areas by 9:00 or 10:00 a.m. for the farm field feeding areas. The cranes (sandhills and whoopers) remain in the farm fields all day, returning to the marshes just before or after sunset. The geese return to the marshes during mid-day, fly to the farm fields in late afternoon, and then return to the marshes again at sunset. By hunting the refuge marshes during mid-day in late October and early November, it is possible to harvest the geese without endangering the cranes. A few whooping cranes may still be on Bosque when the February goose hunt opens, but the presence of such late migrants is not expected to be a problem. Hunters are provided pagers and are warned by refuge personnel whenever a whooping crane approaches the hunt area. All Bosque hunters must possess a valid Bosque del Apache NWR goose hunter training card. This card is earned by attending a pre-season training session and passing a test of the hunter's ability to identify geese and various protected birds, including whooping cranes. Hunters are given some refresher training at the check station on the day of the hunt. These training sessions, plus the monitoring of whooping crane movements near the hunt areas, should ensure that no whoopers are shot.

Grizzly Bear

Question: At this point do you have any plans to augment grizzly bear populations?

Answer: The Service, in compliance with Section 314 of the Department's FY 1986 General Provisions, is not currently engaged in funding any grizzly bear augmentation activities. However, the Service is working with the Interagency Grizzly Bear Committee to prepare an Environmental Assessment on all aspects of planned grizzly bear augmentation, including public involvement. This document, which will meet NEPA requirements, is expected to be completed around August-September 1986. Pending the outcome of the NEPA analysis, an augmentation plan would then also be included. Any such augmentation would most likely be in Montana's Cabinet-Yaak ecosystem, with monitoring conducted by on-site State personnel.

Question: Is there any problem with augmenting grizzly bear populations in Forest Service areas?

Answer: No, there is not. The Forest Service, a member of the Interagency Grizzly Bear Committee, has included the issue of augmentation in its Forest Planning process, making such plans available for public comment and review. At this time, only one Forest Service unit (Kootenai, in Montana's Cabinet-Yaak ecosystem) has augmentation considered in its Forest Plan.

Question: What effect will the $25,000 reduction have on the grizzly bear recovery effort?

Answer: The $25,000 added in FY 1986 will support an additional year of study on quantifying the effects of road access/use on bear behavior in Montana and Wyoming. As this report is expected to be completed by the end of this fiscal year, continuation of these funds is not needed in FY 1987.

Black-footed Ferret

Question: The black-footed ferret is another species that appears to be in some trouble. What is your assessment of the status of the black-footed ferret?

Answer: The present outlook for the ferret is not good. After recent outbreaks of plague and distemper, there are only six ferrets (two males and four females) currently in captivity, and no more than six are thought to be in the wild.

Question: Is the budget adequate to maintain a viable recovery program for the black-footed ferret?

Answer: The FY 1987 President's budget contains sufficient resources to maintain ongoing research activities on ferret diseases, reproduction, and captive propagation. A new breeding facility is now being established using FY 1986 appropriations, and the Service is working with Wyoming on joint efforts to recover this species.

Question: Are there other species for which you sense special problems?

Answer: At this time, there appears to be no other species that will cause immediate concerns. We are continuing our recovery efforts for Florida panthers, whooping cranes, black-footed ferrets, Southern sea otters, California condors, and grizzly bears, species which have received a lot of public attention over the last year. We expect this to continue into the next year. Increased attention will also be focused on management needs for the red wolf and Northern Rocky Mountain wolf, while we continue our coordination of Colorado River fish recovery.

Administrative Savings

Question: Last year you told us of a number of improvements you were going to make in order to reduce administrative costs. How successful have you been in implementing these savings?

Answer: The administrative improvements described last year to reduce administrative costs are part of the Department's program for administrative improvement. The program is in the pre-implementation stage and no savings have resulted. However, when certain aspects of the program are implemented, we anticipate savings will occur.

Question: You plan a reduction of $1,000,000 in postage because of increased use of electronic mail. What portion of the universe of possible communicants can you reach through electronic mail?

Answer: Currently we have 400 electronic "mail boxes" throughout the Service, which allows us to communicate with many Washington and regional division and staff offices and 320 field stations. This means we are now reaching about 50% of the communicants.

Question: What costs are associated with electronic mail?

Answer: The major costs associated with electronic mail are: network access, connect time to the vendor's host computer and line charges to reach a network (i.e., FTS).

Question: Have the savings you projected in FY 86 through the use of electronic mail materialized?

Answer: We anticipated our annual Postal Service bills to be approximately $3.2M without the use of electronic mail, however the fact that it is running at the present rate of $2.78M annually, indicates that the projected savings are being realized.

Reimbursable Employment

Question: What accounts for the large drop in full-time equivalent employment in the reimbursable accounts? (FWS-189) It goes from 520 in FY 1986 to 335 in FY 1987.

Answer: This reduction in full-time equivalent (FTE) employment is related to the transfer of the Animal Damage Control program to the Department of Agriculture which included a total of 370 FTEs. However, in order to facilitate an orderly transfer of function, the Service retained responsibility for the program for six months. Sufficient funding and 185 FTEs were made available to the Service by a reimbursable agreement with the Department of Agriculture to accommodate this transition period. The Fish and Wildlife Service will not have these responsibilities in FY 1987 and will not require the FTEs in the reimbursable account.

Construction and Rehabilitation

Question: With the projects requested in the budget, do you believe you can take care of all the dams where there is a strong potential for damage?

Answer: The Service's first priority is to ensure the structural integrity of high and significant hazard dams, which are those dams that by definition impose a threat to human health and safety in the event of failure. The funds requested in the budget will provide for the immediate remedial repair needs that had been identified at that time through the dam inspection program.

Along with remedial repairs, the Service addresses modifications necessary to bring its high and significant hazard dams in line with design standards as laid out in the Federal Guidelines for Dam Safety. The budget request will provide for necessary work needed to correct design deficiencies in several dams that, although structurally sound, were constructed many years ago and do not meet the current design requirements.

Question: Are you satisfied that the request takes care of all your needs related to dams?

Answer: Correction of dam design deficiencies is very technically involved and requires a great deal of specialized, time-consuming engineering testing and study. The Service is contracting with the Bureau of Reclamation for much of this work. The budget request continues an incremental approach that is logical and practical in light of the technical requirements and the current Federal budgetary situation.

Question: Advance planning includes only $323,000, which is only one-third of the amount available in FY 1986. What impact does this have on your ability to keep a stream of construction projects in the pipeline?

Answer: The accomplishment of advanced project planning (APP) is proceeding much faster than the probable appropriation of construction funding will occur. Most of the APP projects funded in FY 1984, 85, and 86 are complete or nearing completion. Although the Service continues to view APP as an essential step in the project funding process, it believes the level of APP funding should be more commensurate with expectations for actual appropriation of design and construction funds. In light of the current Federal budget situation and the considerable backlog of completed APP projects, a reduction in APP funding in FY 1987 should not have a major detrimental impact on development of construction budget requests for the immediate future. As the budgetary climate improves in the future, requests for APP funds can be adjusted accordingly. As described in the Budget Justifications, the Service has proposed that the $323,000 requested for APP be used for acquisition of a Computer-Aided Drafting and Design system that will allow greater use of standardized designs, enhance the capability for developing reliable cost estimates, improve the effectiveness of maintenance management, and increase the general productivity of the Service's engineering staff.

Question: With 42 fewer FTE's, how will you be able to carry out a viable construction program?

Answer: The proposed reduction in engineering FTE's was based on decreased requests for construction and maintenance funding in the FY 1987 budget. This reduction will be accommodated by increased use of contracting for architect-engineering (AE) services. The role of the Service's Denver Engineering Center (DEC) will be essentially modified from that of an in-house engineering design center to that of an AE contract management center that will handle most of the major construction and rehabilitation projects. Also, all dam safety-related engineering responsibilities will be consolidated at the DEC rather than being divided between four regional offices as at present. The regional engineering staffs will primarily provide design and management of minor rehabilitation and maintenance projects funded under the Resource Management Appropriation. This organizational concept will provide effective management of the proposed $3.1 million construction program.

Anadromous Fish Conservation Act Program

Question: No funds are requested for Anadromous Fish Conservation Act Grants. The FY 1986 appropriation was $1,988,000. Provide for the record a list of those activities authorized under the Anadromous Fish Conservation Act that are not eligible for funding under the Sport Fish Restoration Program.

Answer: Primary differences in activities eligible for funding under the Anadromous Fish Conservation Act (AFCA) and the Sport Fish Restoration Program (SFRP) are:

- The AFCA allows projects that provide benefits for commercial fisheries whereas the SFRP is restricted to sport fishing-related projects. Under the amended SFRP, coastal states are required to allocate funding between marine and freshwater species. This will likely provide some benefits to commercial fisheries.

- A variety of entities such as Indian Tribes; universities, colleges, and other educational organizations; and interstate fishery commissions eligible for grants under the AFCA are not eligible under the SFRP.

- Section 7 of the AFCA provides specific authorization for funding the emergency striped bass study through FY 1986. The study will be completed by the end of FY 1986.

- A significant amount of funds for hatchery construction and rehabilitation has been provided over the years under the AFCA whereas these types of projects have been severely restricted by regulation under the SFRP. This restriction has been relaxed under the amended SFRP.

Question: What is the status of the emergency striped bass study?

Answer: The general consensus among cooperators regarding the evidence accumulated to date is that the striped bass declines have been caused by a combination of factors including environmental contaminants, habitat degradation, and excessive harvest of adult spawning stocks. Research is continuing to further clarify the biological effect of these factors, with particular emphasis on the effect of environmental contaminants on reproduction and subsequent survival of the young.

Question: Will the study be completed by the end of FY 1986?

Answer: The research planned with the current funding will essentially be completed by the end of FY 1986, with a final report to be completed in FY 1987.

Land Acquisition

Question: The request for land acquisition is $1,500,000 which is solely for acquisition management. What areas do you consider the most critical for land acquisition in FY 1987?

Answer: We do not see any critical areas in FY 1987. Our priorities for acquisition, when the fiscal climate is improved, are reflected on the attached Land and Water Conservation Priority Listing.

Question: Provide for the record a listing of land exchanges you are currently working on.

Answer: The following is a list of refuges where the Service is considering exchanges.

Exchanges

Unit	State
Tule Lake NWR	CA*
Sheldon NWR	NV
Sandstone NWR	MN*
WPA Program - 6 areas	MN*
Rachel Carson NWR	ME*
Blackwater NWR	MD
Alaska Maritime NWR	AK*
Alaska Peninsula NWR	AK
Arctic NWR	AK
Kenai NWR	AK*
Kodiak NWR	AK
Yukon Delta NWR	AK
Yukon Flats NWR	AK
Tetlin NWR	AK
Kanuti NWR	AK
Selawik NWR	AK
Nowitna NWR	AK
Innoko NWR	AK
Lower Rio Grande	TX
Arizona Land Exchange (6 refuges)	AZ*
Carolina Sandhills NWR	SC*
Noxubee NWR	MS
Boque Chitto NWR	LA

* These proposals have been sent to the Committees of jurisdiction for concurrence.

FISH AND WILDLIFE SERVICE
LAND AND WATER CONSERVATION FUND
FEDERAL ACQUISITION LEVELS
FY 1987
($000,000)

3/14/86

SPECIES/UNIT, STATE	FY86 APPROP APPROP	$10 MILLION LEVEL	$20 MILLION LEVEL	$30 MILLION LEVEL	$40 MILLION LEVEL	$50 MILLION LEVEL	$60 MILLION LEVEL	$70 MILLION LEVEL	$80 MILLION LEVEL	$90 MILLION LEVEL	$100 MILLION LEVEL
SAN FRANCISCO BAY, CA		1.50	1.50	2.00	2.00	2.00	2.50	3.00	3.00	3.50	3.50
LOWER SUWANNEE, FL	2.38	1.50	2.00	3.50	3.50	3.50	4.00	4.50	5.00	5.30	5.38
ASH MEADOWS, NV		0.50	0.50	0.50	0.60	0.75	1.00	1.06	1.06	1.06	1.06
UPPER HAKALAU NWR,HI	5.70	0.75	0.75	0.75	1.00	2.00	2.50	4.00	5.00	6.00	7.23
LOWER RIO GRANDE, TX	4.76	4.00	5.00	6.00	6.75	7.00	8.00	7.00	8.00	9.00	10.00
BLUNTNOSED LIZARD,CA		1.75	1.75	2.25	2.50	3.50	4.00	5.00	6.00	6.50	7.00
NATIONAL ELK, WY	1.30		2.00	3.00	3.25	3.50	4.00	5.00	5.50	6.00	6.50
PAH. ROUND. CHUB,NV			0.06	0.06	0.06	0.10	0.10	0.10	0.10	0.10	0.10
CONNECTICUT COASTAL, CT	0.98		0.50	0.50	0.60	0.60	0.60	0.60	0.60	0.60	0.60
TINICUM NEC,PA			1.01	1.01	1.25	1.50	2.00	2.50	3.00	3.10	3.30
CHARLES M. RUSSELL,MT			0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
TRUSTOM POND NWR,RI			1.10	1.10	1.10	1.25	1.50	1.50	1.50	1.50	1.50
GREAT SWAMP NWR,NJ	0.95		1.75	1.75	1.75	2.00	2.50	3.00	3.00	3.00	3.44
GREAT DISMAL SWAMP,VA			2.00	2.00	2.00	3.00	3.50	4.00	4.50	4.50	5.03
TENSAS RIVER NWR,LA				1.75	2.00	3.00	4.00	5.00	6.00	6.00	6.50
EASTERN SHORE NWR,VA	2.50			0.80	1.00	1.50	2.00	2.50	2.50	2.50	3.00
OZARK BAT CAVES, OK				0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
WILLAPA NWR,WA	3.24			0.75	1.00	2.00	2.50	3.00	3.50	3.50	3.75
MINNESOTA VALLEY NWR,MN	1.90			1.50	2.00	3.00	4.00	5.00	6.00	6.00	6.50
NATIONAL KEY DEER,FL	1.90			0.35	3.00	4.87	4.97	5.50	6.00	6.00	6.50
FLORIDA PANTHER NWR,FL					4.21	4.50	4.50	5.50	6.00	6.00	6.50
KIRTLAND'S WARBLER,MI							1.40	1.50	1.50	1.50	1.50
MS SANDHILL CRANE,MS								0.31	1.32	1.32	1.50
KARL MUNDT NWR,SD									0.49	0.49	0.49
BEAR VALLEY NWR,OR										0.20	0.30
ST. VINCENT NWR,FL										0.43	0.43
WERTHEIM NWR,NY										2.50	2.90
BON SECOUR,AL	0.95									2.27	2.99
KOFA,AZ										0.70	0.70
J.N. "DING" DARLING,FL											1.00
BOGUE CHITTO,MS											0.50
SUBTOTAL		10.00	20.00	30.00	40.00	50.00	60.00	70.00	80.00	90.00	100.00
ACQUISITION MANAGEMENT	1.52	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
INHOLDINGS	0.90	0.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
TOTAL		11.75	22.50	32.50	42.50	52.50	62.50	72.50	82.50	92.50	102.50

Question: How critical is it to acquire more land to provide adequate habitat for the Florida Key Deer?

Answer: Prime habitat for the existing deer herd has been acquired and due to the current fiscal constraints additional new acquisition may be deferred. The habitat of the key deer should be protected if we are to preserve the intergrity of the subspecies within its range. The greatest threat to the key deer is the loss of its remaining habitat. To date, we have acquired control of 5,112 acres and will acquire 561 acres in FY 1986.

Question: How critical is it to acquire more land to provide adequate habitat for the Florida Panther?

Answer: Given the approximate $6.5 million currently available for acquisition and current fiscal constraints, additional appropriations are not necessary at this time. We are exploring the possibility of exchanges at this refuge. In addition, the National Park Service is already protecting nearly 2 million acres of habitat for the species at Everglades National Park and Big Cypress Preserve. This protection was taken into consideration when ranking the Service's priorities for acquisition.

Question: Are the winter feeding grounds of the elk near Jackson Hole, Wyoming adequately protected?

Answer: The Service is currently using alternative methods to acquire land at National Elk Refuge. For example, a land exchange involving BLM lands was recently completed for an important private inholding. The Service believes further acquisition is not essential at this time given the relatively small prospect that private inholdings will be developed in the forseeable future.

National Wildlife Refuge Fund

Question: The request for the National Wildlife Refuge Fund is $5,645,000, the same as the request for FY 1986. Why do you say that $303,000 of the Gramm-Rudman-Hollings reduction will carryover to future years?

Answer: Application of Gramm-Rudman-Hollings to the anticipated receipts of 6,990,000 and ANILCA Oil and Gas Permits of $50,000 reduces the budget authority by $303,000. It is our understanding that in accordance with Section 256 (a) 2 of P.L. 99-177, budget authority in special or trust funds is to remain in such funds and be available in accordance with and to the extent permitted by law. Therefore, since the National Wildlife Refuge Fund is a special fund, this budget authority will carry over and be available in future years.

Question: Provide for the record the total liability under the Refuge Sharing Act.

Answer: For FY 1987 the total liability is estimated at $17,500,000.

QUESTIONS SUBMITTED BY CONGRESSMAN RALPH REGULA

Impacts of OCS Activity

Question: Last year in response to some questions I asked concerning the impacts of OCS activity of fish and birds you responded that the only impacts you were aware of involved oil spills. Could you elaborate? What are the potential impacts on fish and birds of an oil spill?

Answer: Depending upon the type of oil released, prevailing weather conditions, location of the spill and a number of other factors, oil contamination can result in direct mortality of fish, birds and other species or habitat value losses, or both. Certain constitutents of oil can be toxic to various species of fish and wildlife. In addition, oil coating the feathers of birds results in decreased mobility and increased susceptibility to predation and other mortality factors. Oil contaminated vegetation leads to a loss of habitat value to fish and wildlife species for varying time periods.

Question: In connection with OCS you also mentioned your work with the sea otter off California. Could you elaborate on what you have learned to be the impact on the sea otter populations from OCS activity?

Answer: Increases in OCS activities lead to an increase in boat traffic, as well as oil and gas exploration and development. These, in turn, result in an increasing probability of oil spills from platforms, pipelines, and boats. Sea otters are known to be vulnerable to oil pollution. In fact, vulnerability to oil pollution and the potential for oil spills from increased tanker and other boat traffic along the California coastline were major factors in listing the Southern sea otter as threatened. Nevertheless, the Service believes that OCS development can be compatible with the sea otter. To this end, a key factor in protecting the otter is the establishment of a second viable, self-sustaining population, an experimental colony whose range will be closely monitored. These otters, with geographic separation from the existing population maintained, decrease the possibility of the species going extinct if a major environmental catastrophe occurs (such as an oil spill or natural disaster).

Question: Do you have a good idea where off California's coast the otter is most concentrated?

Answer: The current range of the Southern sea otter is from Ano Nuevo Point (Santa Cruz County) south to the Santa Maria River (San Luis Obispo County), about a 220-mile long segment of coast.

Question: Is the sea otter a threatened or endangered species?

Answer: The Southern sea otter is Federally listed as threatened.

Interpretation and Recreation Program

Questions: According to your budget justification (pg.9) the Fish and Wildlife Service administers an interpretation and recreation program to expand public understanding of fish and wildlife resources. Could you elaborate on this program, is it all tied in with the schools?

Answer: The Service recognizes the importance of public awareness of the value of fish and wildlife resources. To promote this awareness, the Service developed procedures to inform the public of environmental issues affecting the fish and wildlife resources and to provide the public recreation opportunities that are compatible with the refuge objectives.

Interpretation activities on refuges, hatcheries, and research centers are accomplished primarily through a system of signs, leaflets, kiosks, visitor contact stations and sometimes visitor centers. Fish and Wildlife Service staff are frequently assisted by volunteers or members of cooperating associations. Wildlife observation opportunities are provided by self-guided trails, observation platforms, and auto tour routes. Guided tours are occasionally provided by volunteers or concessionaires.

In order to maximize effective use of staff time, environmental education is conducted primarily through teacher workshops. Service personnel provide technical assistance to teachers and make them aware of facilities and educational materials that are available for their use. Volunteer instructors are sometimes utilized.

Acid Rain Research

Question: I notice that you intend to reduce by $500,000 your involvement in biological effects studies of State acid precipitation demonstration projects. As I am sure you are aware, the President has just committed to a $5 billion acid rain program in his recent meeting with Canadian Prime Minister Mulroney. Yesterday during our hearings we learned that the Forest Service was proposing to cut their research effort in this area, the USGS is proposing to cut their research effort in this area, and now the Fish and Wildlife Service is also cutting back. How can this be justified in light of the President's commitment to Prime Minister Mulroney?

Answer: The Service's proposal does not conflict with the commitment to Canada. The Service is currently involved in precipitation programs. The first is a basic research program designed to determine the biological effects of acid precipitation on fish and wildlife resources. Examples of the type of research supported by this program are a study of toxic metals accumulated by fish in acidified environments and the impacts of acid rain on Atlantic salmon. This research, which is conducted at the Service's Patuxent Wildlife Research Center and the Columbia National Fisheries Research Laboratory, has been funded for the ~~last~~ three years at approximately $500,000. No reduction in this level of funding has been proposed for FY 87.

The second program the Service is involved in is the Acid Precipitation Mitigation Program (APMP). Through this program, the Service entered into cooperative agreements with States to study the impacts of acid precipitation mitigation techniques (i.e., liming) on surface waters (i.e., lakes and streams). In FY 1985, basic study protocols designed for the APMP were funded in five States. A reduction in funding will result in a diminished capacity of the Service to provide support services to the APMP. Examples of such services are data analysis, providing quality assurance/quality control, and funding research to generalize on the impacts of surface water liming. Also, funds for additional research proposals may not be available. However, proposed funding reductions would not affect completion of the State mitigation projects.

Question: Last year your budget included money to examine the results of the State demonstration programs. Have you made those evaluations?

Answer: The State demonstration programs were not funded until late FY 1985, so data collection on pretreatment conditions is just beginning. Data collection and analysis will continue until completion of the program in 1990. Consequently, our current efforts are concentrated in development of a data management system. System development, data entry, and data analyses will be an ongoing part of the program. Other Service involvement with the program involves providing quality assurance/quality control and technical assistance to the States.

Nontoxic Shot

Question: I notice you propose to discontinue efforts to develop an alternative to steel as a nontoxic shot. Why is that?

Answer: We are still interested in alternative types of shot that have no or negligible toxicity and ballistic performances that are superior, or equal, to the lead/steel shot now available. The FWS believes that the appropriate role of the Federal government in shot development is not subsidization of research and development (R & D) in the private sector, rather it is setting standards for that R & D effort. The FWS currently has in progress a final rule on application procedures and toxicity testing and a proposed rule on ballistics (when final, both will become the Nontoxic Shot Approval Procedures) that includes procedures for application and standards for the testing of toxicity and ballistic characteristics of a candidate shot. This has been done in anticipation that there may be interest in the private sector for R & D on alternatives that could prove to be of economic interest, and the recognition that standards will be necessary for consistent and uniform testing of candidate shot types. From informal contacts, the FWS has learned that there is little research on nontoxic shot varieties other than steel currently underway in the private sector, and there is little interest in expanding research on nontoxic shot. Steel is expected to be the only economical nontoxic shot in the near future.

Reduction in Accelerated Refuge Maintenance Management

Question: Your budget proposes a $9,489,000 reduction in the Accelerated Refuge Maintenance Management program. Have you addressed all the serious health and safety problems or is this a budget driven cut back?

Answer: Resolution of health and safety problems is the Service's first priority. As such, all identified serious health and safety problems will be addressed with remaining funds. A list of FY 1987 ARMM projects deferred because of this budget reduction has been made available to the Committee. The deferred projects list does not include any serious health or safety projects. Subsequently identified serious health and safety problems automatically become first priority and their resolution is accordingly accomplished within available Service resources.

Workload for Pollution Incidence Response

Question: According to your budget (pg. 41) your estimated workload for pollution incident responses is down because the number of spills have been decreasing and this trend is expected to continue. What types of spills is this referring to and are they declining because of decreased activity or improved operations?

Answer: The term "spills" refers to discharges of oil and releases of hazardous substances. The most common major spills involve the discharge of crude oil. The decline in the number of pollution (spill) incidents reflected in the Service's 1987 budget justification is largely a function of improved operations of oil and hazardous substance transport facilities as well as a decline in oil-related activities.

Great Lakes Contaminants

Question: Your budget mentions work on Great Lakes industrial contaminants. Could you elaborate on what these contaminants are and what work is being done in this area?

Answer: The Service's work in the Great Lakes involves a variety of industrial contaminants, particularly those generated from manufacturing and steel production. The overall goal of this effort is to determine (1) what substances are present that pose a threat to fish and wildlife health and (2) at what concentration levels these impacts occur. Monitoring and surveillance activities in Great Lakes waters has identified over 400 potentially harmful substances. Research efforts are now focusing on those thought to be most harmful. Examples of this research follow.

One recently completed study investigated the distribution of coal combustion derived carcinogens, particularly polycyclic aromatic hydrocarbons (PAHs), on fish populations in Great Lakes tributaries. Brown bullhead in the Buffalo River, New York had lip, skin and liver tumor frequencies similar to bullhead from the Black River, Ohio. Since the sediments in both rivers are heavily contaminated with PAHs, this strengthens the hypothesis that one or more PAH compounds is responsible for tumor induction. Ongoing research is focusing on whether certain types of tumors may be good indicators for individual carcinogens or families of carcinogens.

The bioavailability of dioxins, furons, biphenyls and related compounds from Great Lakes sediments is being examined in another study. Channel catfish have been exposed to contaminated sediments from two major Great Lakes tributaries, the Saginaw and Fox Rivers. Water, fish and sediment samples from these exposures will be analyzed for residues of polychlorinated dibenzodioxins (PCDDs), polychlorinated dibenzofurans (PCDFs),and polychlorinated biphenyls (PCBs).

Another study is examining the role of contaminants in the decline of Great Lakes common tern populations over the last decade. The impacts of mercury, selenium and cadmium on common tern productivity are being investigated. The presence of other pollutants, such as aromatic hydrocarbons, phtholates and chlorinated hydrocarbons in common tern eggs and nestlings is being analyzed.

Finally, the resource impacts of new contaminants discovered through ongoing screening and monitoring are being examined. Identification of industrial contaminants, including aromatic hydrocarbons, chlorinated styrenes and phthaltes will be made in sediment, water and benthic biota in the Great Lakes. Residue levels will be evaluated to determine chronic effects on fish and wildlife resources.

Environmental Problems on Refuges

Question: Your budget mentions environmental problems on refuges and says that the scope of these problems cannot be determined without extensive monitoring. Your budget however, only includes $50,000 for low cost monitoring. This sounds like a very serious problem and one that should have a high priority. Is $50,000 enough?

Answer: A number of different types of environmental problems occur on refuges. Your question refers to a $50,000 request dealing with one specific environmental problem, namely chemical contaminants. The $50,000 is requested to increase capabilities to conduct low cost routine monitoring activities on refuges. A total of $2,400,000 is requested in the FY 87 budget to deal with chemical contaminants on refuges. In many cases, resolution of contaminant problems will involve a coordinated strategy involving various local, regional, State and Federal entities. Likewise, funding required for corrective actions will be pursued with responsible parties to the maximum extent possible. It is believed that these combined activities can adequately address known contaminant problems on refuges.

Ottawa NWR, Ohio, Budget Increase

Question: I notice that the Ottawa National Wildlife Refuge in Ohio will receive a $10,000 increase in FY 87. What is this money for?

Answer: The proposed increase at Ottawa NWR is part of a proposed nationwide budget increase of $730,000 for the purpose of increasing operational funding at existing refuges. These funds would be utilized to conduct a variety of operational activities of a continued nature (basic day-to-day activities). Ottawa NWR would receive $10,000, most of which would be used for operational activities related to water management on the Refuge. The Refuge is located on the shoreline of Lake Erie which is presently at abnormally high water levels. High water levels are likely to continue for another year or more as the entire Great Lakes system is experiencing very high water levels. These high water levels greatly increase the likelihood of storm damage to dikes and water control facilities, increase pumping expenses and otherwise increase the amount of staff time and effort needed to operate water management and associated facilities.

Bon Secour

Question: No money is requested for land acquisition at the Bon Secour National Wildlife Refuge. If I am correct this is not on your priority list for acquisition at any level. Is this because there is no threat of development at Bon Secour?

Answer: The majority of the habitat for the Alabama beach mouse at Bon Secour NWR has been acquired. Therefore, the Service proposed a rescission of $951,000 in FY 1986 but, the 45-day period has elapsed without Congressional approval and these funds are now available. The threat of development still exists, but its potential impact has been reduced by previous acquisitions. Deferral of acquisition will not have a significant effect on the recovery of this species. The project ranks 28th out of 31 projects on the Service's priority list.

QUESTION SUBMITTED BY CONGRESSMAN NORM DICKS

Protection Island

Question: Please give me an update of where we are in the Protection Island acquisition process.

Answer: The Service has obligated $3.6 million of the $4.0 million appropriated. Purchase agreements have been obtained on 170 of the total 528 ownerships and a Declaration of Taking has been filed on the remaining properties. It is anticipated that acquisition will be completed in FY 1986. No additional funding is required.

Question: What is the status of the land management plan?

Answer: A master plan for management of the refuge has been completed, and implementation will phase in over the next five years.

McNeil Island

Question: Two years ago, the federal government transferred McNeil Island to Washington State for use as a wildlife refuge and a State Penitentiary. What is the Fish and Wildlife Service's current involvement with this project?

Answer: The Service has had virtually no involvement with this project since the transfer occurred.

Question: Are you aware of recent efforts by the State to increase economic development on the Island?

Answer: We are aware of several proposals being offered by members of the State legislature.

Question: Are you involved in this effort?

Answer: We have had no direct involvement in these efforts.

Question: One of the projects under consideration involves placement of salmon-rearing pens at Still Harbor, right across from the areas' foremost seal habitat. Are you involved in the Corps permit evaluation process?

Answer: In response to the public notice issued by the Corps, the Service has expressed a concern for the project's effects on the bald eagle, a federally listed threatened species.

Question: Would you support the State's request for a Corps permit?

Answer: Service support is dependent upon findings by the Corps, the National Marine Fisheries Service, and the Nisqually Tribe of Indians that: bald eagles will not be affected, the seal population will not be significantly impacted, and the tribal treaty fishery, for which the service has fiduciary responsibility, is protected.

Question: The covenants under which the property was transferred to the State include some strict prohibitions against changing the nature of the refuge. Can you outline exactly what restrictions are attached to the property and the penalties that could result if they are violated?

Answer: The deed (see attachment) stipulates a series of archaeological, wildlife, and general restrictions designed to protect the nature of the island. The deed also specifies that a breach of any conditions or covenants could cause the title to revert to the United States.

Question: One of the issues involves whether or not sub-tidal areas are included in the restrictions. Can you outline for us exactly what are the boundary lines of the transferred property, and whether they include the sub-tidal lands?

Answer: The deed provides a legal description of the transferred property. Our reading of the deed indicates that no sub-tidal lands were conveyed with the transfer. A copy of the deed follows.

WILDLIFE DEED

THIS DEED made by and between the United States of America, acting by and through the Administrator of General Services, under and pursuant to the authority contained in the Federal Property and Administrative Services Act of 1949 (63 Stat. 377), as amended, and Public Law 537, 80th Congress, approved May 19, 1948 (62 Stat. 240) as amended, (hereinafter designated as "Grantor"), and the WASHINGTON STATE DEPARTMENT OF GAME (hereinafter designated as "Grantee").

The Grantor, for and in consideration of the use and maintenance by the Grantee of the property hereinafter described as a reserve for the conservation of wildlife, and the benefits which shall accrue to the Grantor from the continued use of such property for such purpose, does hereby convey and quitclaim to the Grantee the following described property located in Pierce County, Washington:

All of that property identified as McNeil Island, Gertrude Island and Pitt Island, located within Sections 8, 9, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 26, 27, 28 and 29, Township 20 North, Range 1 East, Willamette Meridian, Pierce County, Washington.

EXCEPT those portions of McNeil Island identified as Parcels 1 through 24 inclusive, as depicted on Exhibit A, attached hereto and made a part hereof.

AND EXCEPT a parcel of land located in Section 17, Township 20 North, Range 1 East, Willamette Meridian, Pierce County, Washington, more particularly described as:

> A 10-foot by 10-foot parcel of land situated on the east side of Pitt Island, located in Pitt Passage to the west of McNeil Island, and underlying the United States Navy's existing Signal Tower No. 5, with the center of said parcel located at the approximate geographic position Latitude 47°13'23.5", Longitude 122°42'50.7" and Lambert Projection Position, Washington State North Zone, N87, 129.66, E1, 532,664.39 with the sides of the parcel oriented north-south and east-west.

AND EXCEPT a parcel of land located in Section 23, Township 20 North, Range 1 East, Williamette Meridian, Pierce County, Washington, more particularly described as:

> A 10-foot by 10-foot parcel of land situated at Hyde Point on McNeil Island and underlying the United States Navy's existing Signal Tower No. 6, with the center of said parcel located at approximate geographic position Latitude 47°11'58.0", Longitude 122°38'36.0" and Lambert Projection Position, Washington State North Zone N78,042.18, E1,550,038.43 with sides of the parcel oriented north-south and east-west.

TOGETHER WITH improvements located thereon.

TOGETHER WITH the Grantor's interest, if any in the tidelands associated with McNeil Island, Gertrude Island and Pitt Island, EXCEPT those tidelands associated with parcels 1 through 24 inclusive on McNeil Island.

RESERVING to the Grantor and its assigns a right of ingress and egress to Pitt Island for the purposes of maintenance, repair, installation and replacement of the U. S. Navy's existing Signal Tower No. 5.

RESERVING to the Grantor and its assigns a right of ingress and egress to McNeil Island via the existing ferry landing and over the existing McNeil Island road system to the U. S. Navy's existing Signal Tower No. 6, located at Hyde Point on McNeil Island, for the purposes of installation, maintenance, repair and replacement of the existing Signal Tower No. 6, as shown by dashed line on Exhibit B attached hereto and made a part hereof.

RESERVING to the Grantor and its assigns an easement for the installation, maintenance, repair and replacement of the U. S. Navy's existing electrical service lines from an existing manhole located approximately 50 feet north 1,625 feet west of the northwest corner of Section 26, Township 20 North, Range 1 East, Willamette Meridian, thence running parellel with "Coastal Road" to the U.S. Navy's Signal Tower No. 6. The U. S. Navy is obligated to pay electric charges at the prevailing rates for the electric service provided and used at the existing Signal Tower No. 6. The easement is shown by bold line on the attached Exhibit B.

RESERVING to the Grantor and its assigns an easement over the tidelands located within Sections 8, 9, 14, 15, 16, 17, 22 and 23, Township 20 North, Range 1 East, Willamette Meridian, Pierce County, Washington, allowing the U.S. Navy ingress and egress rights over the tidelands for the purpose of installation, maintenance, repairs and replacement of the U. S. Navy's existing Signal Towers No. 5 and 6 and existing electric service and prohibiting any development or use of the tideland without the written consent of the Department of the Navy, Puget Sound Naval Shipyard, Bremerton, Washington 98314. The easement is more particularly described as follows:

All of the uplands and tidelands of Pitt Island and the Tidelands to the high water mark along the northerly and easterly side of McNeil Island from the vicinity of Pitt Island on the west to Hyde Point on the east including Still Harbor and Gertrude Island. The tideland area of McNeil Island is more specifically described as beginning at a point on the shore line at the highwater mark that is in line with the existing U. S. Naval Signal Tower No. 5 on Pitt Island and an unnamed point of land to the northwest of Pitt Island, this point being in the west half of Section 17, at approximate geographic position Latitude 47°13'14", Longitude 122°42'35.1", and Lambert Projection Position, Washington State North Zone, N86,140,E1,533,715; thence proceeding northerly and easterly around McNeil Island at the high water line to a point approximately 42 feet south of the existing U. S. Navy Signal Tower No. 6 at Hyde Point, this point being in the SE 1/4 of the SW 1/4, Section 23, at approximate geographic position Latitude 47°11'57.6", Longitude 122°38'35.5"; and Lambert Projection Position, Washington State North Zone, N70,000,E1,550,070. The shoreline fronting the tideland easement is substantially shown by bold line on Exhibit C, attached hereto and made a part hereof.

RESERVING to the Grantor all oil, gas and other minerals in the above described land, together with the right for the Grantor, or its assigns, through its authorized agents, representatives or lessees to enter upon the land at any time and prospect for, mine and remove all such oil, gas or other minerals.

SUBJECT TO existing easements for public roads and highways, public utilities, railroads and pipelines and to other easements and encumbrances of record.

TO HAVE AND TO HOLD said property with its appurtenances unto the Grantee subject to the reservations, conditions, limitations and covenants herein contained, which are imposed pursuant to the above referenced Public Law 537, 80th Congress as amended.

The property herein conveyed is to be continuously used only as and for the conservation of wildlife, in accordance with the program of utilization which is attached as Exhibit D, and is conveyed upon the condition that in the event it is no longer used for such purpose, the title thereto shall revert to the Grantor, and upon which reversion the title of the Grantee shall cease and the Grantor shall have the immediate right of possession thereof.

In addition to the attached program of utilization, the specific conditions and restrictions listed below will apply to all of the property herein conveyed.

The Grantor covenants and agrees for itself, it's successors and assigns, that the property herein conveyed will be continuously used and protected in accordance with the following:

ARCHAEOLOGICAL RESTRICTIONS:

The Grantee, in consultation with the Washington State Historic Preservation Officer (SHPO) or his successor in function will:

1. Wherever feasible and prudent, avoid the use of any known archaeological property.

2. Prohibit public access to known archaeological sites.

3. Evaluate continuing and proposed activities and uses to identify possible effects upon archaeological properties and take steps to avoid adverse effects.

4. Ensure that the area of all proposed facilities development involving ground disturbance will be evaluated by a professional archaeologist to determine if significant archaeological properties will be affected.

5. Where it is not possible to avoid disturbing significant archaeological properties, undertake recovery in accordance with a data recovery plan approved by the Washington SHPO of the important information that would otherwise be lost as a result of the proposed development.

6. Evaluate the condition of known archaeological properties where they are subject to erosion; undertake limited testing to establish boundaries and to provide a basis for establishing each property's significance; and implement a plan of non-destructive erosion control measures, or data recovery, as determined to be necessary and sufficient by the Scientific Committee of the Washington Archaeological Research Center (WARC), or its successor in function.

7. Submit to binding arbitration should the responsible State agency fail to reach the required agreement with the WARC Scientific Committee or the SHPO on the nature and extent of measures undertaken to comply with items #5 and #6 herein.

8. Conduct, in consultation with the State Historic Preservation Officer and the Advisory Council on Historic Preservation, the passenger and supply operations from the Steilacoom Ferry Terminal in such a manner to minimize any detrimental impact upon the Steilacoom Historic District wherever feasible and prudent.

WILDLIFE RESTRICTIONS:

1. Pursuant to the existing agreement as set forth in Exhibit D with the U.S. Department of the Interior, U.S. Fish and Wildlife Service (USFWS) or its successor in function, the Washington State Department of Game (WDG) or its successor in function will be manager of the wildlife associated with the property.

2. McNeil, Gertrude and Pitt Islands will be a sanctuary for the unmolested feeding and breeding of wildlife and will be specifically unavailable to the public. Access will be limited to USFWS personnel, WDG personnel, Washington State Department of Corrections (DOC) personnel, the inmate population, and DOC authorized visitors.

3. Management of the sanctuary will be oriented to the maintenance of the passive and natural wildlife which now exists. Although some existing farmlands may be cultivated as seed and food source for the benefit of the wildlife, no new development whatsoever will take place; i.e., no new roads, no new buildings or any other improvements etc., shall be built in the restricted area.

4. USFWS or WDG officials may conduct limited research studies or inventories of wildlife to improve the island as a wildlife refuge.

5. Penitentiary security staff will be cross deputized to enforce game management and protection laws.

6. Because the largest remaining population of Harbor Seals in the South Puget Sound exists on Gertrude Island in Still Harbor (northeastern side of McNeil Island), the Still Harbor dock will be used by the DOC only on a limited basis as in an emergency weather situation. Correction authorities will confer with USFWS or WDG officials to determine any precautionary measures to be taken.

7. Any program for taking of animals for management purposes would have to be authorized in advance by the WDG.

8. The area between Larsen Point and Milewa Creek (northeastern coastal portion of McNeil Island) will be restricted from any recreational use including use by DOC personnel and their families living on the island without prior approval of the WDG. This area is specifically restricted due to the Harbor Seals, a Great Blue Herron Rookery and Bald Eagle Nesting area located in this area.

GENERAL:

1. The Grantor reserves the right to conduct joint compliance inspections with the USFWS of the property herein conveyed. The inspections will be made at the discretion of the General Services Administration and the USFWS with prior notice to be given to the Grantee.

2. The Grantee has the right to use and maintain all of the improved areas on the property herein conveyed. Such use may include uses in support of correction and/or wildlife management programs. However, no new development will be allowed, and when it is no longer economically feasible to maintain the structures, the underlying land should be returned to its natural condition. The Grantee is authorized to enter into agreements with the Department of Corrections for use of the unimproved areas for patrol and pursuit.

3. The Grantee shall not deliberately cut any tree or timber or otherwise perform any logging activity. The Grantee will have the right to clear existing right-of-ways of trees, brush and other vegetation. This right shall also apply to the removal of trees, brush and other vegetation to prevent fire or safety hazards.

The Grantor shall have the right to enforce the foregoing restrictions as covenants or conditions, as it may from time to time elect at its sole discretion. The Grantee shall take all necessary action to ensure compliance with the foregoing restrictions. If after written notice from the Grantor, acting through the General Services Administration or its successor in function, the State fails to cure any noncompliance with such restrictions, title to the restricted area shall, at the election of the Grantor, immediately revert to the Grantor.

The Grantee convenants for itself, its successors, and assigns and every successor in interest to the property herein described, or any part thereof, that any construction or alteration is prohibited unless a determination of no hazard to air navigation is issued by the Federal Aviation Administration in accordance with Title 14 Code of Federal Regulations, Part 77, entitled "Objects Affecting Navigable Airspace," or under the authority of the Federal Aviation Act of 1958, as amended.

The Property is hereby conveyed upon the further condition that in the event the President of the United States of America, the Congress thereof, the Secretary of Defense of the United States, or the Secretaries of the Army, Navy or Air Force, or their lawful delegatees determines that the property is needed for national defense purposes, the title thereto shall revert to the Grantor, and upon which reversion the title of the Grantee thereto shall cease and the Grantor shall have the immediate right of possession thereof.

By the acceptance of this deed, Grantee convenants and agrees for itself, and its successors and assigns, that (1) the program for or in connection with which this deed is made will be conducted in compliance with, and the Grantee, its successors and assigns will comply with, all requirements imposed by or pursuant to the regulations of the General Services Administration as in effect on this date of this deed (41 CFR Subpart 101-6.2) issued under the provisions of Title VI of the Civil Rights Act of 1964; (2) this covenant shall be subject in all respects to the provisions of said regulations; (3) the Grantee, its successors and assigns will promptly take and continue to take such action as may be necesary to effectuate this covenant; (4) the United States shall have the right to seek judical enforcement of this covenant, and (5) the Grantee, its successors and assigns will (a) obtain from each other person (any legal entity) who, through contractual or other arrangements with the Grantee, its successors or assigns is authorized to provide services or benefits under said program, a written agreement pursuant to which such other person shall, with respect to the services or benefits which he is authorized to provide, undertake for himself the same obligations as those imposed upon the Grantee, its successors and assigns by this covenant, and (b) furnish the original of such agreement to the Administrator of General Services, or his successor, upon his request therefore. This covenant shall run with the land hereby conveyed, and shall in any event, without regard to technical classification or designation, legal or otherwise, be binding to the fullest extent permitted by law and equity for the benefit of, and in favor of the Grantor and enforceable by the Grantor against the Grantee, its successors and assigns.

In the event there is a breach of any of the conditions and covenants herein contained by Grantee or its transferees or assigns, whether caused by legal inability to perform said conditions and covenants or otherwise, all right, title and interest in and to all of the property, including tenements, hereditaments and appurtenances, shall revert to and become the property of Grantor at Grantor's election.

The property was duly declared surplus and assigned to the Administrator of General Services for disposal, pursuant to the provisions of the Federal Property and Administrative Services Act of 1949, as amended (63 Stat. 377) and regulations and orders promulgated thereunder, and has been determined by the Administrator of General Services to be available for transfer for wildlife conservation purposes.

IN WITNESS WHEREOF, Grantor has caused this instrument to be effective as of January 4, 1984.

UNITED STATES OF AMERICA
Acting by and through the
Administrator of General Services

By
Director, Disposal Division
Office of Public Buildings
and Real Property

STATE OF WASHINGTON)
)
COUNTY OF KING)

On this 3rd day of JANUARY, 1983, before the undersigned, a Notary Public in and for the State of Washington, personally appeared KENNETH F. LINDEBAK, to me known to be the Director, Disposal Division, Office of Public Buildings and Real Property, General Services Administration, Region 10, and to me known to be the individual described in and who executed the foregoing instrument and who under oath stated that he was duly authorized, empowered, and delegated by the Administrator of General Services to execute the said instrument and acknowledged the foregoing instrument to be his free and voluntary act and deed, acting for and on behalf of the Administrator of General Services, acting for and on behalf of the United States of America, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

Notary Public in and for the State of
Washington, residing in Port Orchard

Seattle Fishery Research Laboratory

Question: I understand it won't be long before you will need to replace the aging laboratory the Service operates at Sand Point, is this correct?

Answer: Replacement of the present facility is one possible option to be considered in the future if the facility is to be maintained.

Question: What is the condition of this facility?

Answer: The present laboratory building is a converted, temporary WW II wood-frame barracks which has exceeded its expected useful life. Several modifications will be required in the not-to-distant future in order to maintain compliance with structural and safety codes.

Question: What type of work is done there?

Answer: The Seattle National Fishery Research Laboratory has a long involvement in studies relating to infectious fish diseases, physiology and stress, fish production, and, in recent years, on population dynamic studies primarily relating to anadromous fish of the northwest and Alaska.

Question: Considering the difficulty in providing an appropriate water supply to the lab, is Sand Point really the best place to build such a facility?

Answer: No decision has been made to build a new facility at this time. If it is determined to be needed, all sites have certain advantages and disadvantages. However, when all factors are considered, the present laboratory site on the Seattle Naval Base is generally acceptable.

Question: The University of Washington has contacted me to express their support for an alternative location at Big Beef Creek. Can you please compare for me the pluses and minuses of these two locations?

Answer: Some of the advantages of the Big Beef Creek site include its location on an estuary; availability of a large volume, high quality, fresh water supply; good suitability for on-site anadromous fish life history work; potential capability for on-site freshwater/saltwater research; and good potential capability for research on wild populations.

Advantages of the Sand Point location include a site better suited for minimal construction costs; better accessibility; availability of waste-water treatment facilities; better access to major libraries and university facilities; and no requirement for relocation of present scientific staff and equipment.

Disadvantages of the Big Beef Creek location include less suitable building terrain with resultant higher construction costs; relatively poor accessibility; greater requirement for environmental impact considerations; and high cost to develop saltwater capability.

Disadvantages of the Sand Point location include extensive freshwater treatment requirements; limited freshwater availability; and restricted potential for wild fish research.

Question: How do costs compare at the two sites, both for initial construction and for continued operations?

Answer: It is difficult to directly compare relative construction costs for the two sites because facilities would probably be designed to take advantage of the particular characteristics of the specific site. In other words, facilities would be designed differently at the two sites. However, the rougher terrain and more isolated location of the Big Beef Creek site would probably result in somewhat higher costs than those that would be encountered at Sand Point. Subsequent operations costs should be comparable at both locations.

Question: How would the work program differ at the lab if the lab was relocated to Big Beef Creek?

Answer: The overall research program would be similar to the present program at Sand Point, except that capability for fish ecology research and wild fish studies could be enhanced by the particular characteristics of the Big Beef Creek location.

Question: If funds were available this fiscal year, could you begin the relocation process to Big Beef Creek?

Answer: At this time there are no facilities available at Big Beef Creek. Considerable facility design and development would be necessary before relocation could be considered.

Question: Would there be any benefit to beginning this process this fiscal year?

Answer: A thorough investigation of relative benefits and disadvantages should be completed before any decision is made to remain at Sand Point or to relocate to Big Beef Creek. Possible alternatives are now being investigated.

Question: How much money could you effectively use this year?

Answer: Initially, a decision must be made on whether or not to repair or replace the existing facility. A conceptual plan to identify facility requirements needed to address research needs could be developed. Options should be evaluated for costs and benefits if a decision is made to proceed with repair or replacement. This would require approximately one year to complete at a cost of approximately $100,000. The ultimate decision to proceed on any alternative should comport to budget priorities.

Funds were previously appropriated in FY 1979 for a conceptual study of a major laboratory facility to cooperatively house fishery research activities of the Fish and Wildlife Service, the National Marine Fishery Service, and the University of Washington. Although some of the information collected in that effort may still be pertinent, the general scope of that study was much greater than replacement of the Service's Sand Point laboratory, and the conceptual plans developed would not be applicable to present needs.

YCC Program

Question: Can you please provide me with your most recent statistics on the YCC program?

Answer: In Fiscal Year 1985, the U.S. Fish and Wildlife Service hired 1,865 YCC applicants, but only 1,758 worked a full eight weeks. Total expenditures for the YCC program were $3,110,310. In Fiscal Year 1986, approximately 1,650 enrollees will be employed at 320 YCC sites at a cost of $3,138,300.

Question: Is it still operating in a cost effective manner?

Answer: The Service has been directed to conduct a YCC program again in FY 1986 and base maintenance funds will again be utilized, as was the case in FY 1985. While there are some worthwhile refuge projects which could be accomplished in a cost effective manner by YCC enrollees within the constraints imposed by safety and Child Labor regulations, the projects are lower priority than the maintenance and rehabilitation of facilities and equipment which would otherwise be accomplished.

Question: Please provide some examples of the types of work that have been accomplished by YCC participants.

Answer: Examples of the types of work projects that were accomplished by YCC enrollees in FY 1985 are as follows: rehabilitating campgrounds, maintaining and repairing facilities, building water control structures, boundary/range fence repair and construction, installing split rail fences, improving and building hiking trails, banding wildlife, providing assistance to wildlife libraries, entering biological data to computer systems, providing clerical support, surveying, mapping and stocking streams.

Refuge Contaminants

Question: Your refuge contaminant study contains two refuges in Washington State, a Category B refuge in the San Juan Islands, and a Category C refuge on the Nisqually River. Now that you have the refuges classified, what are you going to do about them?

Answer: For both the San Juan Islands NWR and Nisqually NWR, municipal/industrial discharges have been identified as the contaminant issues of concern. The areas of highest concentrations of contamination are near the industrial and population centers of the whole of Puget Sound. The general food chain of Puget Sound is believed to be affected. This poses threats to many wildlife populations that depend on Puget Sound as a wintering area and a breeding area, including those that occur at both Nisqually and the San Juan Islands.

The Washington State Departments of Ecology and Game, the National Oceanographic and Atmospheric Administration, and the Service's Patuxent Wildlife Research Center are all actively studying the extent of the pollution. Since the problems in Puget Sound extend far beyond the Refuge boundaries, a coordinated effort with other Federal and State agencies will be required to develop and implement a response strategy for this issue.

Question: Do you have any funds in your budget for contamination clean-up?

Answer: The President's FY 1987 budget request includes $2.4 million to address contaminant issues on refuges.

Question: Is contamination actually endangering any wildlife at Washington State refuges?

Answer: We do not know. At this time, we can only say that the potential for harm may exist. Nisqually NWR was classified as "Category C" because there was no direct evidence that contaminants were present in the refuge environment. Circumstantial evidence (identification of heavy metal and chemical pollutants in nearby Commencement Bay) indicated the need to conduct reconnaissance monitoring. The Service is currently awaiting sampling results to better define the issue. San Juan NWR was classified as "Category B" because on-site evidence demonstrated that contaminants are present in the environment at elevated levels. Some of the highest PCB levels ever recorded in pinnipeds (seals, walruses) are found on refuge islands, and bald eagles have been observed feeding on the pinniped pups. A determination has not yet been made, however, that harmful effects are occuring as a result of the presence of "high" concentrations of a particular contaminant. We hope that ongoing studies will help us determine if or how a particular substance poses an environmental problem.

Refuges in State of Washington

Question: I noticed in your budget a number of areas where funding for specific lists of refuges is being increased. I was a little surprised not to see any Washington State refuges among those scheduled for additional funds. Can you explain this?

Answer: Washington State refuges were not included in the requested funding increase for new and expanded refuges (page FWS 82) or operational activities on existing refuges (pages FWS 84 and 85). This was due to the decision by the regional director to devote the increases in Region 1 (Portland) to management activities involving high priority endangered species management of a continued nature.

Question: Are Washington State refuges being adequately managed with the funds you are allocating to them?

Answer: Washington State refuges are being adequately funded to meet priority needs. Construction funding should also be evaluated when considering levels of funding for refuges in Washington State. For example in FY 85 Washington State refuges received a total of approximately $450,000 for construction projects which appears to be a disproportionately large amount if only FY 85 budgets are examined. It should also be noted that requested budget increases in Resource Management have been targeted for refuges that are considered to be somewhat behind comparable stations. Therefore, Washington State refuges are considered to be more adequately funded than those listed on pages FWS 82, 84 and 85 of the FY 87 Budget Justification.

U.S.-Canada Salmon Treaty

Question: What type of work does the Service plan to contribute to the implementation of the U.S.-Canada Salmon Treaty?

Answer: The Service has been designated as an alternate member of the Southern Panel established under the Treaty. The Service also serves on the coho and chinook technical teams that provide technical support to the Panels, and serves as liaison on the data develpment team. In addition to this direct participation in Commission activities, the Service has initiated tagging of key indicator stocks produced at national fish hatcheries in order to provide data necessary for management of the stocks managed under provisions of the Treaty.

Question: What funding level do you have budgeted to do this work?

Answer: Congress added $400,000 to the Service's budget in FY 1986 for Treaty-related work, which was reduced to $398,000 by the 0.6% across-the-board reduction imposed by the Conference Committee. The allocation of these funds was $255,000 for Treaty implementation and $144,000 for studies conducted by the Service in cooperation with the State of Alaska to support continuing negotiations between the U.S. and Canada regarding allocation of Yukon River stocks. These amounts were subsequently reduced to $244,000 and $138,000 respectively for FY 1986 as a result of sequestration under the Gramm-Rudman-Hollings Act. The total of $398,000 is annualized in the Service's base in the FY 1987 budget request.

Question: The United States section of the Treaty Commission has submitted a budget which includes $265 million for the Fish and Wildlife Service contribution to implementation. It looks to me as though you are the only agency participating in the Treaty where the Administration has actually requested more than the Commissioners believe is necessary to do the work. Can you please explain this situation?

Answer: To the best of our knowledge, the Service's request is nearly the same as that identified for the Fish and Wildlife Service in the budget justification document prepared by the United States Section of the Commission. That document identifies $265,000 for the Service's direct Treaty-implementation activities and $145,000 for studies related to continuing Yukon River negotiations. The U.S. Section budget states that although the Pacific Salmon Treaty established a framework for conducting the Yukon negotiations, the Treaty itself is not the vehicle through which the negotiations proceed nor will the terms of the Treaty necessarily apply to the Yukon. Therefore, Yukon River negotiations are identified separately from direct treaty-implementation in the Section's budget. However, the Section recognizes and fully supports the requested funding for the Yukon River negotiations.

Question: Please provide an item-by-item breakdown of your budget request and compare it with the Commission's request, concentrating on any work you believe will not be accomplished if the Commissioner's request is approved.

Answer: As stated, the Service's budget request is nearly the same as the budget of the U.S. Section. However, because the differences are so small, we do not believe any work will not be accomplished if the Commission's request is not approved. Direct comparison is as follows:

	FWS Budget	U.S. Section Budget
Direct Treaty Implementation		
Commission Panel Participation	15,000	20,000
Technical Committee Participation	35,000	40,000
Data Exchange	49,000	50,000
Stock Identification (Tagging)	155,000	155,000
	$254,000	$265,000
Studies for Yukon River Negotiations	144,000	145,000
TOTAL	$398,000	$410,000

Watersheds

Question: Mr. Secretary, I see here in your budget that you intend to concentrate some funding effort on watershed planning. Since I am well aware of the importance of conducting this type of overview rather than continuing to plan on a piecemeal basis, I fully support this initiative.

However, as you will recall, not too long ago you and I talked about a specific project involving watershed planning which was considered extremely important by the Northwest. None of your agencies could seem to find $50,000 to fund this effort, even though the State was prepared to match these funds. To my knowledge, this project never was funded. Will your budget request be sufficient to fund projects such as this in FY 1987?

Answer: The need for watershed planning is generally valuable and its need becomes more acute when there exist multiple competing uses and cumulatively degrading project plans that require the use of a public resource such as water. It is the position of the Service that primary responsibility for the initiation and completion of such planning falls to that agency or agencies that by their permitting or licensing actions determine the allocation of the public's resource in the public's best interest. This budget request will be sufficient to fund the Service's role in assisting regulatory agencies in their responsibility to identify fish and wildlife resources likely to be affected by their actions and assess the significant adverse effects of development proliferation on those fish and wildlife resources. Additionally this funding should be sufficient to identify the need for watershed planning in those basins not yet identified as in need of such planning efforts.

THURSDAY, APRIL 10, 1986.

UNITED STATES GEOLOGICAL SURVEY

WITNESSES

DALLAS L. PECK, DIRECTOR, U.S. GEOLOGICAL SURVEY

DOYLE G. FREDERICK, ASSOCIATE DIRECTOR, U.S. GEOLOGICAL SURVEY

DAVID A. SEYLER, BUDGET OFFICER, U.S. GEOLOGICAL SURVEY

JAMES E. BIESECKER, ASSISTANT DIRECTOR FOR INFORMATION SYSTEMS

JAMES F. DEVINE, ASSISTANT DIRECTOR FOR ENGINEERING GEOLOGY

JACK STASSI, REPRESENTING THE ASSISTANT DIRECTOR FOR ADMINISTRATION

RAYMOND D. WATTS, ACTING ASSISTANT DIRECTOR FOR RESEARCH

PHILIP COHEN, CHIEF HYDROLOGIST, WATER RESOURCES DIVISION

ROBERT M. HAMILTON, CHIEF GEOLOGIST, GEOLOGIC DIVISION

LOWELL E. STARR, CHIEF, NATIONAL MAPPING DIVISION

ANTHONY L. ITTEILAG, DIRECTOR OF BUDGET, DEPARTMENT OF THE INTERIOR

FISCAL YEAR 1987 OVERVIEW

Mr. YATES. Ms. Reporter, show the hearing as coming to order.

This is a hearing on the budget for fiscal year 1987 for the United States Geological Survey. Appearing in support of that appropriation is Dr. Peck, the Director of the Survey; Mr. Frederick, the Associate Director; Mr. Seyler, the Budget Officer; Mr. Biesecker, Assistant Director for Information; Mr. Devine, Assistant Director for Engineering Geology; and Mr. Grant——

Dr. PECK. Mr. Jack Stassi is here representing Mr. Grant.

Mr. YATES. All right. Mr. Watts; Mr. Cohen, the water boy, right? Mr. Hamilton, Mr. Starr and Mr. Itteilag, as usual.

All right. Mr. Peck's statement may go into the record at this point and be followed by the biographies for Mr. Seyler, Mr. Watts, Mr. Starr, and Mr. Stassi.

Now, Dr. Peck, tell us about the state of the Geological Survey.

Dr. PECK. Thank you, Mr. Chairman.

Mr. YATES. Are you progressing or retrogressing? Is Gramm-Rudman holding a heavy hand on you, as it is on some of the others?

Dr. PECK. We are doing our best to continue our programs, Mr. Chairman, making as many efficiencies as we can by reducing space, keeping a lid on hires. With the budget constraint the way it is, we have reduced some of the programs.

Mr. YATES. I understand that Mr. Cohen's programs were hit particularly hard.

Dr. PECK. Both the Gramm-Rudman cuts for 1986 and the budget for 1987 are constrained at about an equal level across all the divisions, Mr. Chairman.

Mr. YATES. Go ahead.

Dr. PECK. We are still carrying out a number of exciting programs and making progress in a number of areas. If I may submit my written statement.

Mr. YATES. It is already a part of the record.

Dr. PECK. I would like to summarize briefly.

I want to begin by thanking you for the opportunity for discussing our fiscal year 1987 budget.

Mr. YATES. You couldn't avoid it.

Dr. PECK. We wouldn't like to avoid it, Mr. Chairman.

Mr. Frederick reminds me at every hearing this is an opportunity. Our programs provide basic scientific data.

Mr. YATES. I will give you the opportunity. I hope you take advantage of it.

Dr. PECK. Thank you, Mr. Chairman.

The fiscal year 1987 request totals $395.6 million as compared to fiscal year 1986 enacted level of $429.4 million and fiscal year 1986, after Gramm-Rudman of $410.9 million. Our programs will continue to focus on the Nation's requirements for adequate water, mineral and energy resources.

The request includes $83.4 million for national mapping, geography and surveys programs; $159 million for geologic and mineral resource surveys and mapping programs; $124.7 million for water resources investigations programs, and $28.4 million for general administration and the national center facility.

Although the budget proposed for fiscal year 1987 is below the 1986 request, we have accommodated planned growth in two important areas funded by the Congress in fiscal year 1986. These are the Advanced Cartographic Systems which proposes a planned increase of $4.8 million to continue the second year of the multi-year effort to procure sophisticated equipment, adopt existing systems using Department of Defense technology and develop needed software, and the National Water Quality Assessment Program, of particular interest to the Chairman in fiscal year 1986, for which the funds of $2.5 million are being used to complete the program design and to start seven prototype studies using various water quality assessment approaches. In fiscal year 1987, the increase of half a million dollars will begin two additional studies.

We are looking forward to the future with enthusiasm for meeting the challenge that our science requirements will not diminish while at the same time we are looking for efficiencies in management improvement.

We are currently looking at an evaluation of facility requirements and, as you know, we are consolidating the map distribution function to Denver. As part of our long-range planning effort, we have expressed our missions and goals in a brief document which is being shared very widely.

Our programs continue to make substantial advances. Several examples include the cooperative program at the Bureau of the Census where we have made remarkable progress in digitizing 1:100,000 scale maps.

We have discovered significant minerals on the Atlantic shelf and specifically the first polymetallic sulfides within the EEZ Gorda Ridge.

We have published the first atlas of the Pacific EEZ from the Gloria sonographs, and its new geologic features that were unknown and heretofore unnamed and new types of tectonic and sedimentary environments.

The Parkfield experiment is proceeding in cooperation with the State of California which appropriated one million dollars to participate in that cooperative program. And finally, we have successfully implemented a formal process mandated by the Water Resources Research Act to review the efficiency of the State Water Resource Research Institutes.

I would be pleased to respond to any questions you or the other committee members may have, Mr. Chairman.

[The statement of Mr. Peck and biographies follow:]

STATEMENT OF DR. DALLAS L. PECK, DIRECTOR, U.S. GEOLOGICAL SURVEY, DEPARTMENT OF THE INTERIOR, BEFORE THE HOUSE SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES, COMMITTEE ON APPROPRIATIONS

April 10, 1986

I want to thank you for the opportunity to discuss the U.S. Geological Survey's FY 1987 budget request. Our programs provide basic research, data, and analyses pertaining to the Nation's water, land, energy, and mineral resources. The FY 1987 Surveys, Investigations and Research appropriation request for the Geological Survey totals $395.5 million as compared to the FY 1986 enacted level of $429.4 million, and the Gramm-Rudman-Hollings FY 1986 level of $410.9 million. Within the proposed budget an adjustment of $2.8 million is included for increased rental payments to the General Services Administration. A number of program decreases are proposed to accommodate budget reduction objectives and to provide funds for two high priority initiatives--continuation of the Advanced Cartographic Systems plan to modernize our mapping program and the National Water Quality Assessment Program. The reductions involve mostly stretching out several research, investigative, and data-collection projects and terminating a few. We will implement the reductions in such a way as to reduce, to a minimum, disruption of critical program activities. In carrying out our programs, we are taking advantage of the benefits of working cooperatively with other Federal, State, and local agencies as well as with our academic and industry counterparts.

National Mapping Program

A funding level of $83.4 million, a net reduction of $4.7 million from the FY 1987 base, is requested to support the National Mapping Program to produce and make available cartographic and geographic information. This involves multipurpose maps, and basic cartographic, remote sensing, and geographic data in printed and digital format. The Geological Survey has been assigned all coordinating responsibilities for domestic topographic mapping and digital cartographic activities.

A $4.8 million increase is proposed to continue the development and implementation of new cartographic equipment, software, and technology to take advantage of the Department of Defense's major investment in state-of-the-art mapping technology development. Acquisition of these types of new equipment and technological innovations will result in improvements in delivery of more timely products and at less cost. In addition we plan to undertake efforts in digital data product generation, revision, and storage. These advancements, when merged with new generation technology, will have an extensive impact on the science of cartography.

Other technological advances related to improved cartographic data systems include the development of geographic information systems (GIS). The USGS is also conducting information system research using images and data collected by aircraft and satellites.

A $4.426 million reduction is proposed in Primary Mapping and Revision. Within this program a reduction of $8.4 million in new mapping will delay the completion of first-time national coverage of the United States from 1989 into 1990. At the beginning of FY 1986, standard or provisional edition primary quadrangle maps were completed for 88 percent of the United States including Alaska and Hawaii. As national primary mapping of the United States is nearing completion, increased map revision effort is already underway so that data portrayed on primary maps will remain current and accurate. To ensure their continued utility for Federal, State, local, and private sector decisionmakers, planners, and managers, as well as general public users, the FY 1987 request shifts $4.0 million to the revision effort.

A $2.6 million reduction is proposed in the Small, Intermediate, and Special Mapping subactivity. This reduction is distributed over Intermediate Scale Mapping, $1.45 million, which defers completion of topographic versions of the 1:100,000-scale series maps; Small-scale and Other Special Mapping, $0.575 million, which decreases the number of special map products to be prepared; and Image Mapping, $0.575 millions, which defers preparation of some orthophotoquads.

A $0.5 million reduction is proposed in Earth Resources Observation System (EROS) applications and research. This decrease will defer lower priority applications, development, and research activities.

Since 1980, 735,000 square miles of SLAR data coverage have been acquired and the technology has already demonstrated value for many applications such as identification of subtle terrain features, geologic structures, wetlands and vegetation. Sufficient SLAR data have now been acquired and made available to the public to demonstrate their utility. Since additional SLAR data can be acquired by industry within the private sector, further expenditures of funds by the Geological Survey for this program are not necessary. The $1.988 million associated with the SLAR effort are proposed for elimination.

The Geological Survey is responding to meet the requirements of the Bureau of the Census for digitized hydrography and transportation categories of map data at the 1:100,000 scale. These data are needed to support the Bureau of the Census preparation for the 1990 Census. As this requirement is completed in 1987, available funds also will permit the preparation of additional 1:24,000-scale digital cartographic data being requested by a rising number of Federal and State agencies.

Geologic and Mineral Resource Surveys and Mapping

The request for Geologic and Mineral Resource Surveys and Mapping in FY 1987 is for a total of $159.0 million, which is a reduction of $14.8 million from the FY 1987 base level of $173.8 million. The budget request funds a national program of research to provide geologic, geochemical and geophysical information for other government agencies and for the general public on land, energy and mineral resources and on geologic hazards of the Nation and its territories.

The request for Geologic Hazards Surveys provides for a reduction of $2.763 million for Earthquake Hazards Reduction and $0.933 million for Landslide

Hazards. Under the proposed Earthquake program, the Survey will reduce support for regional seismograph networks and reduce theoretical and laboratory studies in earthquake prediction. The network reduction proposed for FY 1987 will not affect regional seismographic stations being operated for earthquake prediction purposes in central and southern California. The reduction to the Landslide program will end most State cooperative programs, eliminate several studies in landslide process and prediction studies, and reduce regional landslide hazards assessments.

The reduction in Land Resource Surveys includes a reduction of $0.5 million for the Federal/State Cooperative Geologic Mapping Program, a $0.199 million reduction to geologic age studies, and a reduction of $0.528 million for the Geomagnetism program, which would involve the closing of the observatories at Newport, Washington, and Barrow, Alaska, and a reduction in the number of repeat magnetic surveys.

The reduction of $4.758 million in Mineral Resource Surveys is proposed in the National Mineral Resource Assessment program. The proposal provides for the deletion of $0.6 million for State of Alaska support in examining the mineral resource potential of the Steese/White Mountains area. The remaining $4.158 million reduction is applied to the Mineral Resources of Public Lands component of the program. The BLM deadlines for mineral surveys of wilderness study areas still will be met under the proposal. First emphasis will be placed on field work with reports being made later in the process than originally planned.

Under the Energy Geologic Surveys, we are requesting a decrease of $2.981 million which includes a reduction of $2.2 million for the Coal program, including decreased funding for cooperative agreements with States. The balance of the reduction is taken in the Geothermal Investigations program.

In Offshore Geologic Surveys, the budget provides for a reduction of $2.118 million, of which $0.627 million will defer marine geological and geophysical surveys. The balance of the reduction suspends the Coastal Erosion program begun in FY 1986.

There were several noteworthy accomplishments under the Geologic and Mineral Resource Surveys and Mapping budget activity that we would like to bring to your attention:

- The Earthquake Hazards Reduction program has been working jointly with the State of California to implement the Parkfield Earthquake Prediction Experiment. Last year the California legislature passed a bill to provide $1 million to augment the Geological Survey's efforts in Parkfield.

- The construction of a new Hawaiian Volcano Observatory funded through the National Park Service is now more than half complete; the observatory will considerably improve the ability to monitor the continuing eruption of Kilauea volcano.

- The USGS during a 1985 survey of the Gorda Ridge discovered the first polymetallic sulfide occurrence in the EEZ. In cooperation with the British Institute of Oceanographic Sciences, we also completed GLORIA sonar imaging of the Pacific coast EEZ and published an interpreted atlas of the sonographs. GLORIA sonar surveys have also been concluded in the EEZ of the Gulf of Mexico, Puerto Rico, and the Virgin Islands. The digital data base of the first map of the Continental Margin Map series (Baltimore Canyon) was completed. The series, in folio format, will ultimately cover the entire EEZ.

- The Survey is also proceeding with MMS on the preparation of another offshore oil and gas estimate and is making an assessment of the petroleum resources of Federal lands using a new and more detailed play-analysis method.

Water Resources Investigations

Funds totaling $124.7 million are requested to continue the USGS national program of water resources investigations. In cooperation with other Federal, State, and local agencies, the USGS supports the collection and analysis of the largest single data base of information in the Nation of surface- and ground-water resources, and supports the conduct of a wide range of hydrologic research regarding water resources problems and issues of national concern. Programmatic decreases totaling a net of $17.1 million from the FY 1987 base level of $141.8 million are proposed for the water resources program of the USGS.

The budget request of $3 million for the National Water-Quality Assessment Program will fund pilot studies begun in FY 1986 as well as an additional two pilot projects. The Department is currently engaged in completing the review of a design for such a program. The Department and the USGS are actively consulting with other Federal and State agencies who are potential beneficiaries and participants of a National Water-Quality Assessment Program. With funds appropriated by the Congress in FY 1986, the USGS will begin a series of prototype projects to develop and test various water-quality assessment approaches and techniques. The information developed by such a program could serve to identify problem areas (and non-problem areas as well), and assist in the measurement of progress towards achieving national water-quality objectives.

A $2.149 million reduction is proposed in the Federal Program--Data Collection and Analysis. This proposal involves reducing the number of locations at which water data is collected, and deferring some maintenance and rehabilitation of stations in the national network. The frequency of water-quality sampling at National Stream Quality Accounting Network and Hydrologic Benchmark stations would also be reduced. Funding for hydrologic investigations associated with the Acoma/Pueblo in New Mexico will be returned to the FY 1985 level. Activities associated with appraising the hydrologic implications of oil shale development would be terminated.

A $0.293 million reduction is proposed for the National Water Data and

Information Access Program. This proposal involves reducing the level of activities associated with inventorying, cataloging, and providing user access to water-resources data and information.

A $2.0 million reduction is proposed for the Regional Aquifer System Analysis Program. This proposal involves postponing indefinitely the start of Phase I regional aquifer system studies in the Appalachian Valleys/Piedmont and the Northern Rockies Intermontane Basin. In addition, the start of a Phase I study of the Ohio-Indiana Carbonates and Glacial Aquifer System, postponed in FY 1986 because of sequestration, would continue to be deferred in FY 1987.

A $0.701 million reduction is proposed for the Core Program Hydrologic Research. This reduction would discontinue dedicated funding for ground-water research by the Oregon Graduate Center.

A $0.307 million reduction is proposed for the Improved Instrumentation Program. This reduction involves terminating several projects involved in examining the cost-effectiveness of employing satellite technology in the operation of hydrologic data networks. Reductions would also occur in software and hardware development activities associated with the capture, management, and analysis of real-time hydrologic data.

A $4.1 million reduction is proposed for the Nuclear Waste Hydrology Program. This proposal involves altering the focus of the directly appropriated program to concentrate principally on research and investigations associated with the disposal of low-level radioactive materials. A modest review and coordination function associated with the earth-science aspects of high-level radioactive waste disposal would be retained. Most remaining USGS involvement in research and investigations with regard to high-level radioactive waste issues would be done on a reimbursable basis for other Federal agencies such as the Department of Energy (DOE). The USGS responsibility, funded in FY 1987 by DOE at an estimated $20 million level, is the geologic and hydrologic characterization of a site at Yucca Mountain in Nevada for the first high-level repository. The DOE also supports the USGS in studies to improve specific techniques of characterization that are most appropriate for crystalline-rock environments.

A $0.3 million reduction is proposed for the Acid Rain Program. The reduction would not threaten USGS support for the operation of the present interagency national acid rain monitoring network.

A $2.236 million reduction is proposed for the Federal/State Cooperative Data Collection and Analysis Program. This proposal involves discontinuing the collection of hydrologic data at about 820 surface-water and ground-water sites, and reducing by 35 the number of hydrologic investigations conducted in cooperation with State and local governments.

Reductions of $5.535 million are proposed for the Water Resources Research Institutes and Grants programs which will maintain Institute funding at approximately $86,000 and provide for approximately 20 research projects.

Although the budget proposes reductions, we have made program adjustments in order to maintain our highest priority work and continue new programs. We are actively seeking efficiencies and savings wherever feasible. For example, as discussed in our hearings last year, consolidation of the map distribution function in the Denver area is proceeding as planned. In addition, realignment of the functions for the mapping centers is proving effective, and we are currently examining the possibilities for scientific laboratory productivity improvements.

Mr. Chairman, I would be pleased to answer any questions you or other members may have.

Biography for David A. Seyler

Acting Assistant Director for Programs and Budget Officer
U.S. Geological Survey
Department of the Interior

David Seyler is currently the Budget Officer of the U.S. Geological Survey and Acting as Assistant Director for Programs in the absence of Peter Bermel. As Budget Officer, he is responsible for the preparation and execution of the U.S. Geological Survey's budget.

David Seyler joined the U.S. Geological Survey in 1975 and has served as Program Analyst in the Director's Office, Program Officer for the Geologic Division, and Budget Officer for the U.S. Geological Survey. Prior to joining the U.S. Geological Survey, he served as Staff Officer to the Assistant Secretary of Management in the Department of the Interior and spent a year on an intergovernmental personnel assignment for the National Governor's Conference. Prior to joining the Department of the Interior, he was a senior consultant for Peat, Marwick, and Mitchell, a special assistant to the Director of the Budget for the State of New York, and has been involved in State and local planning with both the States of New York and Kentucky. Mr. Seyler received his B.S. and Masters of City and Regional Planning from Ohio State University and has completed the course work for a Masters Degree in Public Administration from the University of New York at Albany.

Biography for Raymond D. Watts

Acting Assistant Director for Research
U.S. Geological Survey
Department of the Interior

Raymond D. Watts joined the Geological Survey in 1974 as a geophysicist specializing in electrical and electromagnetic methods. He developed glacier-penetrating radar systems that were used to measure ice thickness in Alaska's large valley glaciers, including Columbia Glacier near Valdez; his measurements contributed to the USGS prediction of Columbia Glacier's collapse, which began in 1985. After investigating the Dufek layered intrusive complex of Antarctica, Dr. Watts specialized in geophysical studies of nuclear and toxic waste disposal sites; he contributed to demonstrations of borehole radar technology for observation of fractures in crystalline rocks.

Dr. Watts was trained at Pomona College (B.A., 1966), Massachusetts Institute of Technology (1966-1969), and University of Toronto (Ph.D., 1972). During his graduate training, he worked at the Lunar Science Institute and at Johnson Space Center in Houston, Texas, helping to develop a geophysical experiment that was carried on the Apollo 17 lunar mission, and to interpret its results.

In 1984, Dr. Watts joined the Office of the Assistant Director for Research, where he has coordinated USGS remote sensing and Antarctic research activities, and has contributed to the development of policies concerning USGS publications, international activities, and cooperative research with private and Federal earth-science institutions.

Biography for Lowell E. Starr

Chief, National Mapping Division, U.S. Geological Survey

Born: Iola, Kansas; March 13, 1935

Education: B.S. in Geology, 1957, Kansas State University
3 Semesters (Mathematics), 1961-63, University of Missouri, Rolla
Federal Executive Institute, 1979

Current Responsibilities: Mr. Starr is currently the Chief of the National Mapping Division. In this capacity he has full responsibility for the scientific, technical and administrative activities of the National Mapping Division in the conduct of the National Mapping Program. He is responsible to the Director, U.S. Geological Survey, for the planning and direction of the Nation's primary civilian mapping program. This includes the production of multipurpose maps, development of a digital data base of geographic and cartographic information, investigations of cartographic applications of remotely sensed data, technical assistance, and related research responsive to national needs. He is responsible for coordinating Federal mapping and digital cartography activities, and provides leadership in the development and advancement of remote sensing applications, geographic information systems, cartographic systems, and advanced surveying and mapping technology. The Division operates from a Headquarters staff, 5 field centers and a Printing and Distribution Center.

Professional Experience: Before his recent appointment, Mr. Starr held the position of Assistant Division Chief for Research in the National Mapping Division. He began his career with the USGS in 1957 as a field cartographer in the Mid-Continent Mapping Center, Rolla, Missouri. He transferred to the Washington, D.C. area in 1965 and advanced through a series of key assignments in production, research and management. He was a principal member of a task force established in 1966 to implement the use of special source materials and advanced instrumentation for USGS mapping programs. He is recognized worldwide as an authority in the field of instrumentation for advanced mapping systems and, under his direction, the USGS has obtained some of the most advanced equipment available for high-speed and quality map preparation. As Assistant Division Chief for Research he was instrumental in establishing several major activities. He served as the Chairman of the Digital Steering Committee which formulated and directed the initial efforts of the System Alpha Study - an effort to examine and improve existing USGS digital cartographic production capabilities and plan for the next evolutionary generation of digital systems. Recommendations from the System Alpha Study led to a more advanced effort termed Mark II, a developmental initiative to meet the Division's goal of using advanced technology to satisfy National Mapping Program requirements by the year 2000. In 1983 he served as the primary USGS technical representative to initiate collaborative efforts with the Bureau of the Census in a national program to modernize the geographic and cartographic aspects of the decennial census process.

He was the principal motivating force behind the restructuring of the National Mapping Division research program, which included the establishment of a formal research proposal and management process, Research Grade Evaluation System positions, and a research committee for providing oversight for these activities.

Committees and Panels: Chairman, International Cartographic Association Standing Commission on Advanced Technology; Chairman, Committee on Topographic Maps and Aerophotogrammetry, Commission on Cartography, Pan American Institute of Geography and History; U.S. Technical Advisor, Australian National Mapping Organization, 1979. Member USGS Research Committee; Chairman, USGS Geographic Information Systems Policy Task Force, Member, USGS Information Systems Council.

Publications: Author/co-author of more than 25 technical and professional reports and staff studies.

Societies: American Society of Photogrammetry; American Congress on Surveying and Mapping. Sigma Gamma Epsilon Honorary Geological Fraternity.

Honors: Meritorious Award in Public Administration (William A. Jump Foundation) 1972; Meritorious Service Award (U.S. Department of the Interior) 1977; Distinguished Service Award (U.S. Department of the Interior) 1983.

Biography for Jack J. Stassi

Deputy Assistant Director for Administration
U.S. Geological Survey
Department of the Interior

Jack J. Stassi joined the U.S. Geological Survey in 1972 as the Bureau Budget Officer. As the Budget Officer (1972-1979), he was responsible for the preparation and execution of the Geological Survey's budget, and appeared as a witness before the Committee on Appropriations for the Department of the Interior.

Mr. Stassi is a career Federal employee with over 27 years service. Prior to 1972, Mr. Stassi served in various budget and program positions with the Departments of Defense, Agriculture, and Justice. From 1979 through mid 1985, Mr. Stassi served as the Geological Survey's Central Region Management Officer, Denver, Colorado, responsible for all administrative activities in the 13-state region. While serving in that capacity, Mr. Stassi also represented the Geological Survey on the Denver Federal Executive Board, and was elected to its Board of Directors.

In 1978, Mr. Stassi received the Meritorious Service Award. He is also a 1959 graduate of the University of Wisconsin and now resides in Reston, Virginia.

FISCAL YEAR 1987 REQUEST HISTORY

Mr. **Yates**. All right. Thank you for a concise statement.

Now, where is the OMB statement? Do you have a statement or chart which indicates how much you asked the department for and how much the department gave you and how much you went to OMB for?

Let's see how well you faired. Those charts may go into the record at this point.

[The information follows:]

02/11/86

DEPARTMENT OF THE INTERIOR
FY 1987 President's Budget
Budget Request History Table
(in thousands of dollars)

Bureau/Account/Activity/Subactivity	Request to Department	Request to OMB	Request to Congress
GEOLOGICAL SURVEY			
--Current--			
Surveys, Investigations, and Research			
National Mapping, Geography and Surveys			
Primary mapping and revision	38,279	37,718	33,266
Advanced cartographic systems	13,251	13,251	12,206
Digital Cartography	14,620	14,560	13,499
Small intermediate and special mapping	14,256	14,067	11,948
Earth resources observation system	9,462	9,559	8,888
Cartographic and geographic information	3,583	3,676	3,620
Side looking airborne radar	0	0	0
Subtotal	93,451	92,831	83,427
Geologic and Mineral Resource Surveys and Mapping			
Geologic hazards surveys			
Earthquake hazards reduction	35,254	35,238	33,275
Volcano Hazards	10,722	10,734	10,667
Landslide hazards	2,065	2,056	2,058
Subtotal, Geologic hazards surveys	48,041	48,028	46,000
Land resource surveys			
Geologic framework	20,222	20,140	18,862
Geomagnetism	2,171	2,169	1,629
Climate change	997	999	992
Subtotal, Land resource surveys	23,390	23,308	21,483
Mineral resource surveys	46,563	46,402	42,033
Energy geologic surveys	29,683	28,590	25,072
Offshore geologic surveys	28,195	25,183	24,428
Subtotal	175,872	171,511	159,016

02/11/86

DEPARTMENT OF THE INTERIOR
FY 1987 President's Budget
Budget Request History Table
(in thousands of dollars)

Bureau/Account/Activity/Subactivity	Request to Department	Request to OMB	Request to Congress
Water Resources Investigations			
Federal Program	73,292	72,829	64,015
National water quality assessment	25,000	10,000	3,000
Water resources research institutes	7,667	7,686	7,164
Federal-State program	52,859	52,868	50,499
Energy hydrology	0	0	0
Transfer to National Water Quality	0	(5,000)	0
Subtotal	158,818	138,383	124,678
General Administration	13,621	14,098	13,356
Facilities	14,279	16,399	15,023
Total, Surveys, Investigations & Resear	456,041	433,222	395,500
Total, Current	456,041	433,222	395,500
--Permanent--			
Trust Funds			
Contributed Funds	500	500	500
Total, Permanent	500	500	500
Total, Geological Survey	456,541	433,722	396,000

87INTSUP QUESTION 9 - FTE Request History Table, FY 1987 Budget 11-Feb-86

GEOLOGICAL SURVEY	Bureau Request FY 1985 Estimate	Bureau Request FY 1986 Estimate	Bureau Request FY 1987 Estimate	Request to OMB FY 1985 Actual	Request to OMB FY 1986 Estimate	Request to OMB FY 1987 Estimate	Request to Congress FY 1986 Estimate	Request to Congress FY 1987 Estimate
Surveys, Investigations, and Research								
National Mapping, Geography and Surveys								
Primary mapping and revision	1,014	1,009	1,009	953	974	974	968	956
Digital Cartography	224	231	231	222	232	232	232	232
Small, Intermediate and Special Mapping								
Intermediate-scale Mapping	128	128	128	130	130	127	128	123
Small Scale & Other Special Mapping	62	62	62	58	62	66	61	59
Federal Land Information	7	7	7	6	7	7	7	7
Image Mapping	128	125	125	96	97	96	96	95
Land-use & Land-cover Mapping	20	17	17	17	17	17	17	17
Advanced Cartographic Systems	1	3	3	1	3	3	3	3
Earth resources observation systems								
Earth resources observation systems								
Data production & dissemination	36	35	35	28	29	29	29	29
Applications research	54	53	53	41	43	43	43	43
Cartographic and geographic information	99	99	99	99	101	101	101	101
Receipts for printing & distribution								
Side looking airborne radar	0	0	0	0	0	0		
Reimbursable								
Subtotal	1,773	1,769	1,769	1,651	1,695	1,695	1,685	1,665
Geologic & Mineral Rsrc. Surverys & Mapping								
Geologic Hazard Surveys								
Earthquake hazards reduction	442	434	434	485	479	479	479	479
Volcano Hazards	111	111	111	116	116	116	116	116
Land Slide hazards	43	43	43	43	43	43	43	43
Reactor Harzards Research	0	0	0	0	0	0		
	596	588	588	644	638	638	638	638
Land Resource Surveys								
Geologic framework	352	350	350	360	360	360	360	360
Geomagnetism	31	31	31	31	31	31	31	31
Climate change	9	9	9	9	9	9	9	9
Land resource data applications	0	0	0	0	0	0		
	392	390	390	400	400	400	400	400

87INTSUP

QUESTION 9 - FTE Request History Table, FY 1987 Budget

11-Feb-86

	Bureau Request			Request to OMB			Request to Congress	
	FY 1985 Estimate	FY 1986 Estimate	FY 1987 Estimate	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate	FY 1986 Estimate	FY 1987 Estimate
Mineral resource surveys								
Alaska				136	136	0		
Conterminous States				136	136	0		
Mineral Resources of Public Lands				105	108	0		
Nat'l Mnrl Rsrcs Assessment Program	357	360	360	0	0	380	380	361
Strategic & Critical Minerals	135	135	135	135	135	135	135	135
Development of Assessment Techniques	309	304	304	303	303	303	303	303
Mineral Discovery Loan Program								
	801	799	799	815	818	818	818	799
Energy geologic surveys								
Evolution of Sedimentary Basins	118	118	118	118	118	118	118	118
Coal Investigations	125	121	121	121	121	121	121	117
Oil & Gas Investigations	97	97	97	97	97	97	97	97
Oil Shale Investigations	10	10	10	10	10	10	10	10
Uranium/Thorium Investigations	33	25	25	25	25	25	25	25
Geothermal Investigations	117	105	105	117	105	105	105	102
World Energy Resource Assessment	0	1	1	0	1	1	1	1
National Energy Summary	0	0	0	0	0	0		
	500	477	477	488	477	477	477	470
Offshore geologic surveys	280	282	282	350	352	352	352	352
Reimbursable								
Subtotal	2,569	2,536	2,536	2,697	2,685	2,685	2,685	2,659

87INTSUP QUESTION 9 - FTE Request History Table, FY 1987 Budget 11-Feb-86

	Bureau Request			Request to OMB			Request to Congress	
	FY 1985 Estimate	FY 1986 Estimate	FY 1987 Estimate	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate	FY 1986 Estimate	FY 1987 Estimate
Water Resources Investigations								
Nat'l Wtr Rsrcs Res & Info Sys-Fed Prgm								
Data Collection & Analysis..............	643	685	685	640	655	655	600	600
Nat'l Water Data & Info Access Prgm....	16	21	21	16	21	21	21	21
Coordination of Nat'l Water Data Act...	21	21	21	21	21	21	21	21
Regional Aquifer System Analysis.......	186	185	185	185	185	185	160	160
Core Program Hydrologic Research.......	209	207	207	207	207	207	207	207
Improved Instrumentation...............	7	7	7	7	7	7	7	7
Water Resources Assessment.............	12	12	12	12	12	12	12	12
Flood Hazards Analysis.................	0	0	0	0	0	0		
Toxic Substances Hydrology.............	122	125	125	142	144	144	174	174
Nuclear Waste Hydrology................	0	128	128	0	128	128	78	57
Environmental Affairs..................	10	0	0	10	0	0		
Supporting Services..........................				30	0	0		
Acid Rain..............................	36	36	36	36	36	36	36	36
Support Services.......................	30	0	0	0	0	0		
Scientific & Technical Publications....	0	0	0	0	30	30	30	30
WRSIC..................................	5	0	0	5	0	0		
Nat'l Water-Quality Assess. Prog.............				0	0	0	50	50
Nt'l Wtr Rsrs Res & Info Sys-Fed/State Coop Prgm								
Data Collection & Anlys-Aerial Apprsls & Spcl. Hydro. Studies................	1,290	1,282	1,282	1,281	1,282	1,282	1,332	1,332
Water Use..............................	12	12	12	12	12	12	32	32
Coal Hydrology.........................	129	128	128	128	128	128	138	138
Nat'l Water Rsrcs Rsrch & Info Sys-State Res Inst-Rsrch								
State Water Rsrcs Rsrch Institutes.....	6	6	6	6	6	6	0	6
Nat'l Water Rcs Rsrch Grants Prgm......	10	10	10	10	10	10	0	10
Program Administration......................							16	0
Energy Hydrology								
Coal Hydrology.........................	0	0	0	0	0			
Nuclear Energy Hydrology...............	129	0	0	128	0	0		
Oil Shale Hydrology....................	5	0	0	5	0	0		
Subtotal............................	2,878	2,865	2,865	2,881	2,884	2,884	2,914	2,893

87INTSUP QUESTION 9 - FTE Request History Table, FY 1987 Budget 11-Feb-86

	Bureau Request			Request to OMB			Request to Congress	
	FY 1985 Estimate	FY 1986 Estimate	FY 1987 Estimate	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate	FY 1986 Estimate	FY 1987 Estimate
General Administration								
Executive Direction	80	81	81	82	79	83	79	80
Administrative Operations	241	174	174	252	252	252	252	251
Reimbursements to the Dept. of Labor								
Subtotal	321	255	255	334	331	335	331	331
Facilities								
National Center-SLUC							0	0
Nati'l Center-Facilities Mgmt	44	44	44	44	44	44	44	44
Subtotal	44	44	44	44	44	44	44	44
Management Savings			(48)		(67)	(115)	(67)	(67)
Miscellaneous Services, Reimbursable	0	0	0	0	0	0		
Total, Direct	7,585	7,469	7,421	7,607	7,572	7,528	7,592	7,525
Total, Reimbursable	2,342	2,342	2,342	2,244	2,246	2,236	2,251	2,241
Barrow & NPRA	4	0	0	4	4	0	4	
Contributed Funds				1	5	5	0	0
Total, U.S. Geological Survey Budget	9,931 a/	9,811 b/	9,763	9,856	9,827	9,769	9,847	9,766
Plus Allocations From Other Agencies	11	11	11	11	11	11	11	11
Minus Allocations To Other Agencies	0	0	0	0	0	0	0	0
Minus FTE's for Exempt Employees	(112)	(112)	(112)	(118)	(118)	(118)	(118)	(118)
Total, USGS FTE Usage/Target	9,830 a/	9,710 b/	9,662	9,749	9,720	9,662	9,740	9,659
Add'l FTEs for Water Quality Initiative			170					
Add'l FTEs for Oil & Gas Investigations			10			5		
Add'l FTEs for Nat'l Water-Quality Assmnt Prgm.						45		
USGS Total (incld. Overceiling request)			9,842			9,712		

a/ Doesn't include FTEs for contributed funds.
b/ Doesn't include 10 FTEs transfered from BOR.

Mr. Yates. The budget approved by the Congress for 1986 was $429,369,000. You requested of the department a sum which was approximately $25 million in excess of that.

You asked the department for $456 million. The department cut you back to $433 million. What was represented by the $22 million you didn't get?

Dr. Peck. It is partly a more ambitious proposal for the National Water Quality Assessment, Mr. Chairman.

Mr. Yates. What does the term "ambitious" mean? Does that mean necessary? How would you define the term "ambitious"?

Dr. Peck. Ambitious means we were proposing moving more rapidly in starting to carry out the program and to start more studies rather than proceeding in a more gradual way.

Mr. Yates. How valuable are those studies?

Dr. Peck. I think they will be very valuable, Mr. Chairman. There is some wisdom in starting off the first few years at a lower pilot level, carrying out the seven studies we are starting now, and the two additional studies next year, to develop the techniques and approaches and to develop the connections with the cooperating Federal agencies like EPA to make sure that the information that we gather meets the needs of some of the other agencies, both State and Federal.

Mr. Yates. Well, the committee has recognized for a long time the importance of water. Water is becoming increasingly a scarce commodity in our country. It is being polluted, it is being chemicalized, it is being insecticized—if I can develop a couple of words.

But that $25 million was turned down by the department. Was that pre- or post-Gramm-Rudman that you were turned down by the department?

Dr. Peck. That was pre-Gramm-Rudman. That would be a proposal about this time of year last year.

Mr. Yates. So you started out with a request of $25 million for a national water quality assessment. Didn't we start that off last year? We did.

Dr. Peck. As a result of action by Congress, and particularly this committee, we started a program this year at $2.5 million.

Mr. Yates. There is a difference between $25 million and $2.5 million.

Dr. Peck. Yes, Mr. Chairman. We also, Mr. Chairman, proposed increases in several other programs. One was the offshore geologic surveys, our marine studies.

Mr. Yates. I suppose we will get into Mr. Cohen's operations in a few minutes, so water quality assessment has moved through the budget process at a level of $25 million. In your request the department cut $15 million, cut it to $10 million, and then OMB reduced it to $3 million.

So Mr. Cohen won't finish his water quality assessment for a hundred years, right?

Dr. Peck. This is just a starting level, Mr. Chairman.

Mr. Yates. That is right. At this rate, it will be a hundred years.

Dr. Peck. Considering the very constrained times, we were pleased to be able to request any increase.

Mr. Yates. Will Mr. Cohen be around when his assessment is completed at this rate?

Dr. PECK. Not at this rate, Mr. Chairman.

Mr. YATES. Will you and I be around?

Dr. PECK. We can hope.

Mr. YATES. Under the water resources investigations, Federal programs start out at $73 million. The department cuts it by half a million dollars and, lo and behold, OMB cuts it by $8 million. You don't have any friends over at OMB, do you, Dr. Peck?

Dr. PECK. I think the action between our request to OMB, which probably took place last September, and the final decision on the request to Congress which was not until December, represented a lot of action in Congress on Gramm-Rudman-Hollings and looking at a very constrained Federal budget.

These actions were similar to the actions taken on the budgets of many other bureaus across the Federal Government and represents the attempt to reduce the Federal deficit to $144 billion. The actual distribution of the cuts, those decisions were made by and large within the Geological Survey.

Mr. YATES. Let's see where you were cut. Your mapping was cut by $10 million under the request to the department when it finally got out of OMB.

Dr. PECK. Yes.

Mr. YATES. Geologic Hazards Surveys', Volcanoes, Landslides were cut by $2 million when it got out of OMB. Your Mineral Resource Surveys, Energy Geologic Surveys, Offshore Geologic Surveys started off with a request of $175 million. No. That is the total, isn't it?

Dr. PECK. That is the total.

Mr. YATES. Okay. That is the total of all the requests under Geologic and Mineral Resource Surveys and Mapping. You start out with $175 million. The department cut you by $4 million and OMB cut you by another $11 million.

Dr. PECK. I don't know whether I would lay that completely on OMB, Mr. Chairman. That was a result of a——

Mr. YATES. Four million dollars by the department.

Dr. PECK. That resulted from interaction between the department and OMB.

Mr. YATES. Well, Mr. Itteilag wants to intervene. At any time, we will be pleased to hear him, but as I look at these figures, I see your request to the department of $175.8 million. The department action is $171.5 million and OMB is $159 million. Are those figures accurate?

Dr. PECK. Those figures are accurate, Mr. Chairman.

Mr. FREDERICK. The only clarification, Mr. Chairman, if I may, the OMB targeted it back to the department and subsequently on each one of these items the final numbers were negotiated among the Geological Survey, the department and ultimately OMB. The OMB anticipated Gramm-Rudman 1987 level is what we were working with in the department.

Mr. YATES. We know the importance of Mr. Cohen's program and I and other members of the committee have been kind of tossed around by the earthquakes and landslides and volcano activity that has been occurring over the last several months. So I have an impression that that activity is kind of important, too.

Why, then, are your two important activities the subject of cuts?

Dr. **Peck.** All the important activities, actually more than half of our programs, Mr. Chairman, are being cut. We are proposing to cut below our current level because of the stringencies of budget.

EARTHQUAKE HAZARDS PROGRAM

Mr. **Yates.** What does that do to your programs? Let's take earthquake hazards. Have the platelets stopped moving?

Dr. **Peck.** The platelets have not stopped moving, Mr. Chairman.

Mr. **Yates.** You are trying to stop them from moving?

Dr. **Peck.** Well, we are going to be watching those moving platelets somewhat less rigorously.

Mr. **Yates.** Let's bring your earthquake specialist up to the table.

Dr. **Peck.** Dr. Hamilton. He is Chief of the Geologic Division, but a seismologist and former President of the Seismological Society of America.

Mr. **Yates.** I know his expertise, and I am impressed with his expertise, but apparently you didn't impress OMB with your expertise. How badly are you hurt by the cut?

Dr. **Hamilton.** We are going to have to reduce the operations of some of our seismographic networks.

Mr. **Yates.** All right. You have charts to impress the committee.

Dr. **Hamilton.** Yes, we do.

Mr. **Yates.** Let's put the chart up there and let the committee be impressed.

Dr. **Peck.** To convey our information more fully to the committee, Mr. Chairman.

Dr. **Hamilton.** This is a chart that shows the distribution of seismograph networks in the United States, and many of the seismograph networks particularly in the western United States are supported with USGS funds, but most of those in the eastern United States are supported with funds from the Nuclear Regulatory Commission.

Mr. **Yates.** Put into the record now in response to a question how important the seismograph network is.

Dr. **Hamilton.** They are extremely important, because they build a long-term record of the history of earthquakes in this country that is used for all kinds of purposes like the siting of nuclear reactors and the siting of nuclear waste repositories, design of critical facilities like pipelines and the establishment of building codes.

So it is an important activity and it is only under constrained times we have decided to cut back.

Mr. **Yates.** I would have thought that as a part of the importance of that you would have pointed out—isn't this the basis, too, for determining whether there is the possibility of earthquakes taking place?

Dr. **Hamilton.** Yes, it is a very important tool. Now, the networks that we are planning to cut out are located in the areas that we have estimated to have the least impact. We are going to discontinue two networks in Alaska, one in Washington, one in southern California and some support for a network in New York.

We are basically reducing the density of coverage, and we hope that we will be able to supplement that with regional coverage.

Mr. **Yates**. You have built up the networks over the years, haven't you?

Dr. **Hamilton**. Yes, we have.

Mr. **Yates**. Now, you are going to build them down?

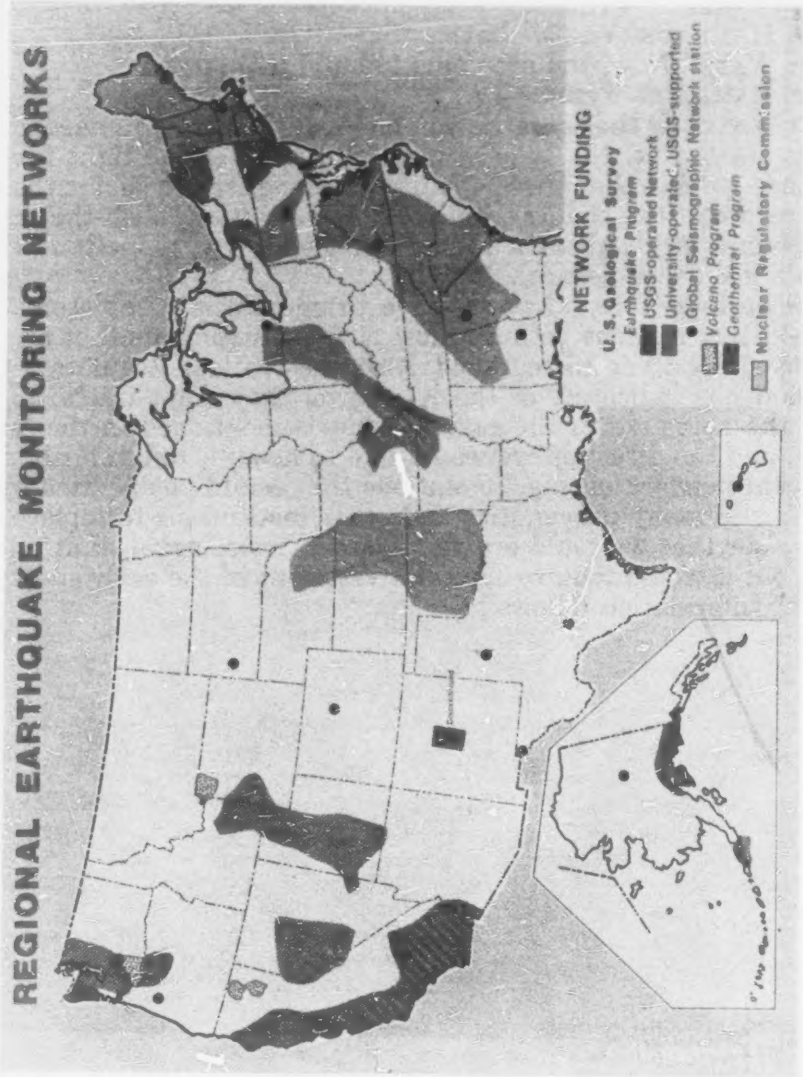
Dr. **Hamilton**. Yes.

Mr. **Yates**. Is that because you have all the data you need?

Dr. **Hamilton**. No. It is primarily because of the tight funding, because we feel that there should be a long-term base for the seismic record of the country, but we feel we can establish the historical record, although at a higher threshold, say, magnitude three, with a less dense network.

In the long-term, what we have to address is a replacement of the existing stations because most of the instruments that are now deployed are 10 or 15 years old. Also, the Nuclear Regulatory Commission has indicated, in the long-term, they don't intend to support the networks in the east so what is mentioned in the budget book, and the direction we would like to head, is to establish a new national network of, say, 50 stations that would be operated by the USGS and many universities and other institutions to replace this. So we see that we could evolve toward a better network at a lower cost, but it would require capital investment in the early stage.

[The information follows:]


REGIONAL EARTHQUAKE MONITORING NETWORKS
NETWORK FUNDING
U.S. Geological Survey
Earthquake Program
USGS-operated Network
University-operated, USGS-supported
Global Seismographic Network station
Volcano Program
Geothermal Program
Nuclear Regulatory Commission

Mr. **Yates**. All right. That is one of your cuts then. What are the others?

CALIFORNIA EARTHQUAKE POSSIBILITY

Dr. **Hamilton**. In the earthquake program?

Mr. **Yates**. Yes. Well, in all your programs in the earthquake and the volcano, I don't find you talking about the possibility of California earthquakes in any of this. Shouldn't you be talking about them and shouldn't I be worried about California?

Dr. **Hamilton**. Yes, you should. We are worried. We feel, as you know, the plates continue to move and so the stresses are building up.

Mr. **Yates**. They are plates. Are there such things as little plates?

Dr. **Hamilton**. Yes. We call them platelets. A thin plate is called a flake.

Mr. **Yates**. Okay. Let's worry about California.

Dr. **Hamilton**. This is a chart that shows the location of the San Andreas fault. Through our work, together with the work of universities, we have identified the different sections of the fault where we feel earthquake risk is most hazardous, and we have deployed instruments in some selected areas of the fault to try to carry out intensified earthquake prediction experiments.

You are, I am sure, aware of the experiment we have going on in the Parkfield, California area where we have actually made a prediction that a magnitude 6 earthquake will occur there in about 1988 or 1989, plus or minus a few years.

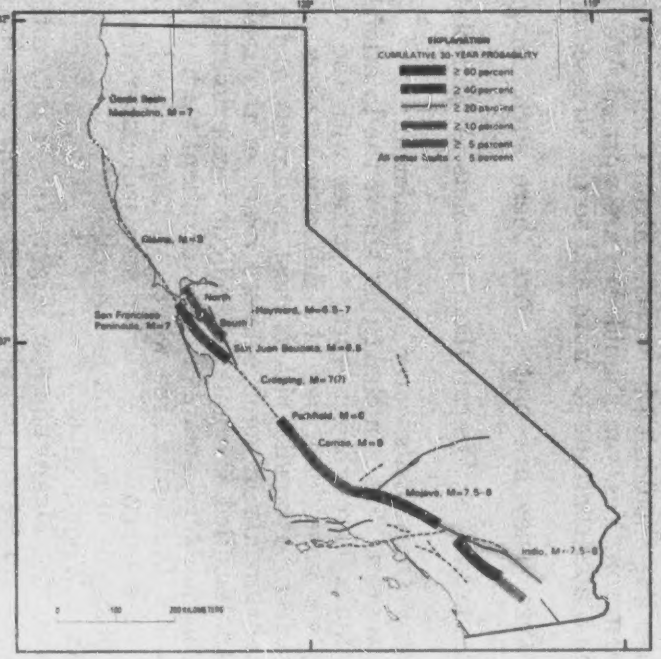
Mr. **Yates**. What, a M-6?

Dr. **Hamilton**. Magnitude 6 or larger. This is interesting because there have been six magnitude 6 earthquakes that have occurred there with an average interval between them of about 22 years. Each of these earthquakes has very similar characteristics and so we feel that it is the best place in the world where we have a chance of observing the processes that build up to the earthquake at close hand.

So, we have established this prediction network and, in fact, the State of California has provided one million dollars this year to augment the instrumentation. This is unprecedented for the state to come in with that kind of money.

[The information follows:]

CALIFORNIA EARTHQUAKE PROBABILITIES


42°
37°
120°
115°
Gorda Basin
Mendocino, M=7
Olema, M=8
San Francisco
Peninsula, M=7
North
South
Hayward, M=6.5–7
San Juan Bautista, M=6.5
Creeping, M=7(?)
Parkfield, M=6
Carrizo, M=8
Mojave, M=7.5–8
Indio, M=7.5–8
0
100
200 KILOMETERS
EXPLANATION
CUMULATIVE 30-YEAR PROBABILITY
≥ 60 percent
≥ 40 percent
≥ 20 percent
≥ 10 percent
≥ 5 percent
All other faults < 5 percent

Mr. YATES. Do you need any more money for instrumentation?

Dr. HAMILTON. The $1 million that we are getting from the state is a big help. That is one shot funding from the state, and it will help us to install the instruments, but we feel that with the current level of funding, we can maintain the system that we have there.

Mr. YATES. How many of the 22 years have expired for the next quake?

Dr. HAMILTON. About 20 of them.

Mr. YATES. You have another two years to get your instruments in shape and in place?

Dr. HAMILTON. That is correct.

Mr. YATES. Are you going to be able to buy instruments to put in place?

Dr. HAMILTON. We are doing that right now.

Mr. YATES. The amount you have is adequate for the purpose?

I want to point out to you that Dr. Peck spoke about opportunity. I said I would give you opportunity. What I am trying to find out is this. You have told the committee we are presented within the next two years—you can't predict the day and hour for that earthquake, can you?

Dr. HAMILTON. That is right. Although we hope to observe phenomena before this earthquake that will help us narrow that range down to a number of days. That is our goal.

Mr. YATES. Well, can you with what you have, or with what you are able to put in there now with this budget?

Dr. HAMILTON. We feel with the current budget, with the augmentation from the State of California, that we can develop the instrumentation up to an acceptable level.

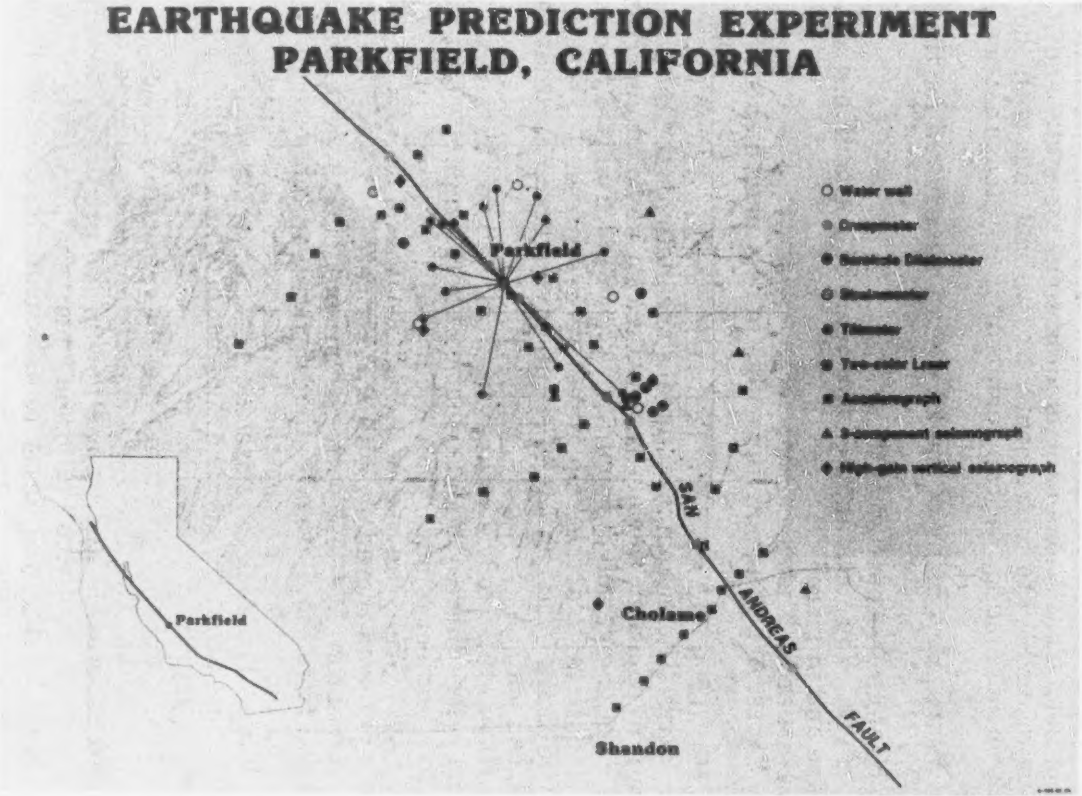
Mr. YATES. Dr. Peck, you are the head of the agency. Have you ever told him about that truism "opportunity knocks but once"?

Go on to your next statement.

Dr. PECK. I probably give him different cautionary advice.

Dr. HAMILTON. The Parkfield experiment is considered to be a prototype experiment and we are now in the process of identifying several areas in southern California where similar arrays of instruments could be deployed to try to anticipate the great earthquake which we feel is coming in southern California.

[The information follows:]



EARTHQUAKE PREDICTION EXPERIMENT
PARKFIELD, CALIFORNIA

○ Water well
● Creepmeter
● Borehole Dilatometer
◎ Strainmeter
● Tiltmeter
● Two-color Laser
■ Accelerograph
▲ 3-component seismograph
◆ High-gain vertical seismograph
Parkfield
SAN ANDREAS FAULT
Cholame
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Parkfield

PARKFIELD EXPERIMENT INSTRUMENTATION

Mr. **Yates**. You are familiar with the letter written on August 1st of last year to Secretary Hodel by Dr. Press, President of the National Academy of Sciences. He is concerned about the necessity for the experimental program at Parkfield and he says this.

"A modest increase of funds allocated to Parkfield could improve the experiment by installing a greater number of down-hole-strain instruments." Is he right in that?

Dr. **Hamilton**. Yes, he is.

Mr. **Yates**. You are not going to install them?

Dr. **Hamilton**. We have a few installed.

Mr. **Yates**. You don't want to install a greater number?

Dr. **Hamilton**. We could use more.

Mr. **Yates**. All right. How much money is involved in installing a down-hole-strain instrument?

Dr. **Hamilton**. The largest cost is to drill the hole. It is expensive to drill holes.

Mr. **Yates**. How much does it cost to drill holes? It isn't expensive if you find water, is it?

Dr. **Hamilton**. Each installation would be on the order of $100,000 when you consider the drilling cost, the instrumentation cost and the cost to analyze the data that would come from it.

Mr. **Yates**. The second point is install the network of 20 broad band high dynamic range digital seismographs.

How many of these are you installing? He talks of 20. How many are you installing?

Dr. **Hamilton**. We have perhaps a half dozen such stations in that area. One of the problems in this area is that our instrumentation is not all broad band and some of it is an earlier generation of seismographs. So the direction that Dr. Press is recommending is indeed the direction that the program should go.

Mr. **Yates**. Are you going forward with a poor man's experiment?

Dr. **Hamilton**. We are going forward with a conservative man's experiment, I believe.

Dr. **Peck**. Sort of a Gramm-Rudman-Hollings level.

Mr. **Yates**. That is a poor man's experiment.

Dr. **Peck**. However, Dr. Hamilton and Dr. Filson, the head of this program, are focusing a lot of the program at Parkfield because we think it is a unique opportunity. As a result, we are making cuts elsewhere in the program such as the regional networks and some of the research projects and we are going to focus our efforts at Parkfield rather than start some clusters in southern California.

Mr. **Yates**. I get the impression you are not doing a very good job and the reason you are not doing a very good job is you don't have the money with which to do a job. I asked the witness a question about whether this suggestion by Dr. Press, President Press, to install a network of about 20 broad band high dynamic range digital seismographs, and he says, no, we are not installing 20, we are installing about six, and, no, they are not broad band, they are old ones. We just don't have the broad band ones.

That is why I say how worthy is your experimentation? Why shouldn't you take advantage of this natural phenomenon to build for the future with appropriate instrumentation?

Dr. **Peck**. We are attempting to do the best we can within available funds, and the money from the state has helped. But it will not be the optimum experiment.

Mr. **Yates**. All right. Dr. Press says next, "Add a second two color laser distance measuring station."

Are you adding it?

Dr. **Hamilton**. Yes, sir. We are going to do that.

Mr. **Yates**. All right. That is fine.

Then he wants a dense network of 30 strong motion seismographs. I take it that you are putting in about six.

Dr. **Peck**. Actually, the State of California has placed a number of strong motion instruments. They are the black squares on the map.

Mr. **Yates**. Will there be 30?

Dr. **Hamilton**. There will be about two dozen. It will be close to 30, yes.

Mr. **Yates**. Okay. Then he goes on to say, "A more substantial increase in funding would be used, one, to carry out detailed site investigations."

Is that true?

Dr. **Hamilton**. That is true.

Mr. **Yates**. And will you be able to do that?

Dr. **Hamilton**. Probably not to the level that Dr. Press would recommend.

Mr. **Yates**. How much would you recommend? Is Dr. Press being extravagant in his request?

Dr. **Hamilton**. I wouldn't say he is being extravagant. I would say he is laying on an aggressive program.

Mr. **Yates**. Is it unrealistic?

Dr. **Hamilton**. No.

Mr. **Yates**. He wants to carry out in-situ stress measurements at several points. You are going to do that, aren't you?

Dr. **Hamilton**. Yes.

Mr. **Yates**. Then he wants to drill a hole four or five kilometers deep.

Dr. **Hamilton**. That will not be done at Parkfield. We don't have the funds in our budget to drill deep holes.

Mr. **Yates**. He talks about the expected epicentral zone. You won't be drilling a hole into the expected epicentral zone?

Dr. **Hamilton**. No, we won't.

Mr. **Yates**. Should you be?

Dr. **Hamilton**. Many of us would like to, yes. That is an expensive endeavor, however.

Mr. **Yates**. How expensive?

Dr. **Hamilton**. It would probably cost on the order of $5 million or $10 million, I would guess.

Mr. **Yates**. How deep is four or five kilometers in terms of miles?

Dr. **Hamilton**. Five kilometers would be about 15,000 feet.

CAJON PASS DRILL HOLE

Dr. **Peck**. A hole that deep is being drilled right next to the San Andreas fault in southern California as a cooperative effort between the National Science Foundation and the Survey and many universities. The drilling for that will start in November.

We are participating very actively in that. That is at Cajon Pass just back of San Bernardino and just two miles from the San Andreas.

Dr. **Hamilton**. This will be a particularly important experiment because this particular section of the San Andreas fault is the section that broke in 1857 and caused a magnitude 8 earthquake. It has been a long time and the stress levels should be building back up to a repeat.

This is just north of Los Angeles where it would have quite an impact. This drill site is a site that was chosen by the National Science Foundation based on a proposal from USGS and Stanford University, and the hole will be drilled right here, right adjacent to the fault.

It will go three miles deep or 15,000 feet. We will be very actively involved in that experiment. This is a similar kind of an experiment that we would like to do at Parkfield.

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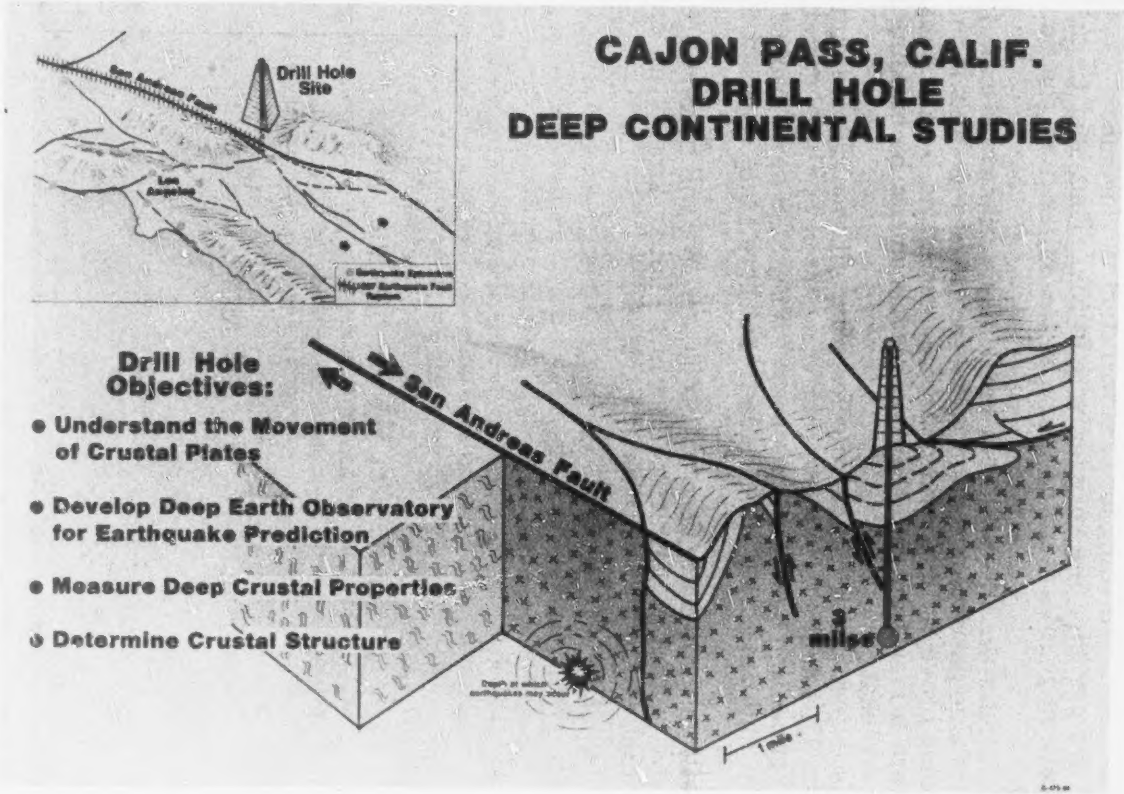


CAJON PASS, CALIF.
DRILL HOLE
DEEP CONTINENTAL STUDIES

Drill Hole Objectives:

- Understand the Movement of Crustal Plates
- Develop Deep Earth Observatory for Earthquake Prediction
- Measure Deep Crustal Properties
- Determine Crustal Structure

San Andreas Fault
Drill Hole Site
Los Angeles
San Andreas Fault
3 miles
1 mile
Depth at which earthquakes may occur

Mr. **Yates**. You talk about a M-6 outbreak earthquake. Is it possible it could be M-8?

Dr. **Hamilton**. Yes, it is possible.

Mr. **Yates**. What is the maximum you get on your scale?

Dr. **Hamilton**. The Richter scale is actually an open-ended scale, but in practice, the largest earthquakes have only reached about magnitude 9, the greatest in the world. The greatest concern at Parkfield is it seems to be a sticky spot or a zone of particular strength along the San Andreas. There is evidence that once you break through the Parkfield area, occasionally it will continue to break further to the south.

So we regard that as a zone of nucleation and most of the time when you get the magnitude 6 there, it just breaks and stops, but there is evidence it will occasionally break on and go into a larger one.

Our concern is we will be there thinking we are getting a magnitude 6 and it might have enough strain energy in the system to propagate beyond that particular area. We don't feel that we have any basis for predicting that at the present time.

Mr. **Yates**. How high on the scale was the 1906 San Francisco earthquake?

Dr. **Hamilton**. That was about eight-and-a-quarter.

Mr. **Yates**. This is likely to be that, too, that is possible?

Dr. **Hamilton**. That is possible. That is about the size of the 1857 earthquake that broke from central California down to about San Bernardino area.

EARTHQUAKE PREDICTION

Mr. **Yates**. Can you predict that if you have your instruments in place?

Dr. **Hamilton**. We have not proven yet we can predict it. The goal of the Parkfield experiment is to observe, at close hand, various phenomenon that might give us a short-term capability.

Dr. **Peck**. We have worked out sort of a decision tree and there is a chart there, working jointly with the state to plan in advance what phenomena would lead us to make a prediction.

Mr. **Yates**. How long in advance should you be working on this? This earthquake is coming in two years.

Dr. **Hamilton**. Or a few years beyond.

Mr. **Yates**. Not less than two years?

Dr. **Hamilton**. The last earthquake was in 1966, and the average interval is 22 years. There is a little scatter in that average. If it comes right on the average, it would be 1988, but——

Mr. **Yates**. Could it come in 1987?

Dr. **Hamilton**. Yes. It could come any day now or it could be delayed four or five years beyond 1988.

Dr. **Peck**. One time, it came eight years early or something like that.

Dr. **Hamilton**. Yes. It is really interesting. Four of the five intervals were extremely—well, five of the six earthquakes were kind of right on time. One of them was early by a few years. So mother nature is irregular in this case. But we think that the statistics are pretty good that within a few years of 1988, even today, that earthquake will occur.

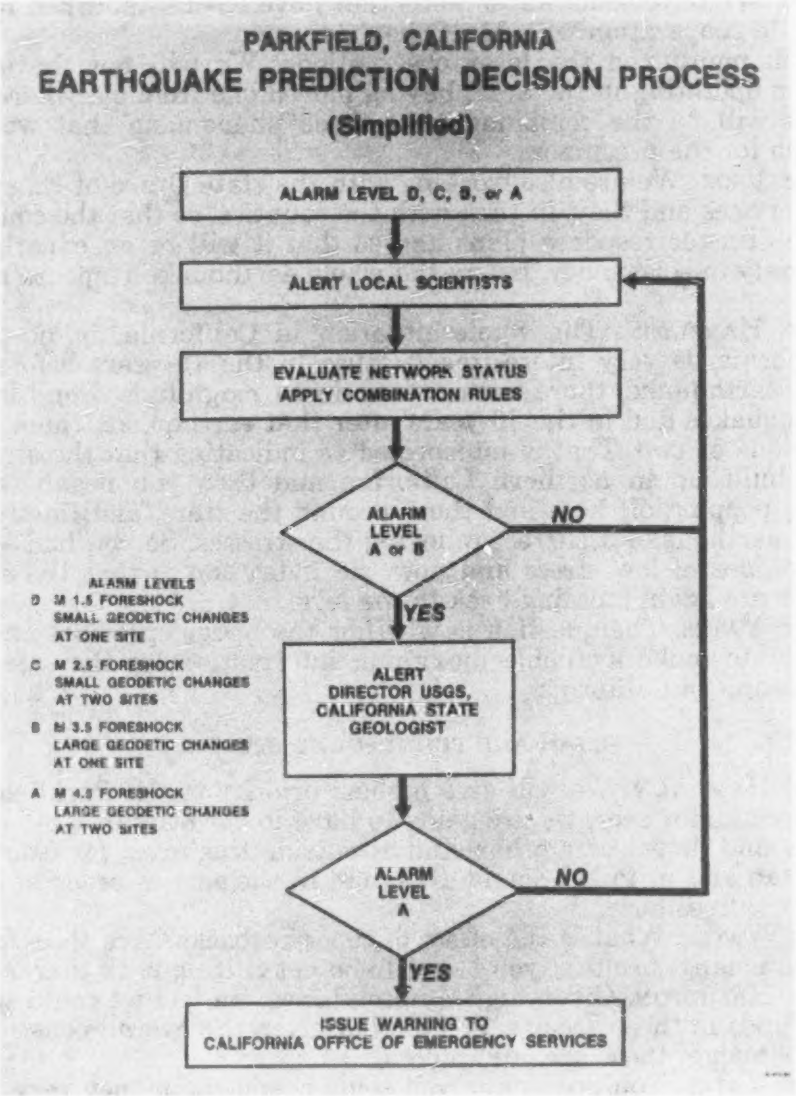
Mr. **Yates**. What do you do about it? I see you have a chart there that says what you do about it.

Dr. **Hamilton**. In 1966, there was some observed ground deformation before that earthquake, some cracking and also an irrigation pipe that crosses the fault broke a few days before the earthquake. So it is thought that the ground deformed before that earthquake occurred.

And also a number of earthquakes at Parkfield of magnitude 6 have been preceded by somewhat smaller earthquakes like magnitude 5, a foreshock. So a lot of our strategy is based on observing the ground deformation or the creeping of the fault or the seismic activity that may precede this earthquake.

We have a decision tree that has been set up with the state where based on certain phenomena that may occur that would raise red flags each time one comes along and then if you get enough red flags, then you go to a certain alarm level. Basically, the alarm levels are based on foreshocks and geodetic changes or ground deformation changes.

[The information follows:]



PARKFIELD, CALIFORNIA
EARTHQUAKE PREDICTION DECISION PROCESS
(Simplified)

ALARM LEVEL D, C, B, or A
ALERT LOCAL SCIENTISTS
EVALUATE NETWORK STATUS
APPLY COMBINATION RULES
ALARM LEVEL A or B
NO
YES
ALERT DIRECTOR USGS, CALIFORNIA STATE GEOLOGIST
ALARM LEVEL A
NO
YES
ISSUE WARNING TO CALIFORNIA OFFICE OF EMERGENCY SERVICES
ALARM LEVELS
D M 1.5 FORESHOCK SMALL GEODETIC CHANGES AT ONE SITE
C M 2.5 FORESHOCK SMALL GEODETIC CHANGES AT TWO SITES
B M 3.5 FORESHOCK LARGE GEODETIC CHANGES AT ONE SITE
A M 4.5 FORESHOCK LARGE GEODETIC CHANGES AT TWO SITES

Dr. **Hamilton**. We would also look at such things as the water table. We have some water wells that have been established in the area in cooperation with Mr. Cohen's division.

You mentioned the laser observations. We will now have two lasers operating in the area, having moved one from elsewhere and so it will be the combination of these phenomena that we will watch for the precursors.

Dr. **Peck**. We are also working with the state Office of Emergency Services and they, in turn with the counties, so that the counties have disaster response plans and so that it will be an experiment not only in seismology, but in the whole earthquake response activity.

Dr. **Hamilton**. The whole situation in California, in northern California, is very interesting because in the 70 years before the 1906 earthquake, there were over a dozen magnitude 6 and larger earthquakes and in the 70 years after that earthquake, there were only one or two. That is interpreted as indicating that the stresses had built up in northern California and then you began to get some popping off here and there around the state, and finally the 1906 earthquake occurred, relieving the stresses. So you had several decades of low stress and now the indication is that the stress levels are again building back to the level.

Mr. **Yates**. The question is whether the budget provides enough money to make available maximum information for the safety of the people of California.

UTAH AND PUGET SOUND STUDIES

Dr. **Hamilton**. We will give highest priority to the Parkfield experiment. However, we are going to have to cut back in some other areas and defer some other studies outside this area, for example, in Utah and in Puget Sound area, and in the east in order to focus the resources here.

Mr. **Yates**. What is the effect of those cutbacks? Are those areas of some danger so that you ought to be not cutting back there?

Dr. **Hamilton**. Given high funding times, we feel we could spend the funds in those areas very well, but given the overall constraints of the budget these are our choices.

Mr. **Yates**. You are saying you could spend the money very well. That does not draw any pictures for me. The question I should like to know is whether or not the areas present some danger so that expenditures are necessary for the safety of the people in the area.

Dr. **Hamilton**. To put it in concrete terms, let's take the fault system that runs along the Wasatch Mountain front in Utah. About 90 percent of the population of Utah lives along that fault zone. That is an area we have studied intensively in recent years.

That fault zone in the Salt Lake City and Central Utah area has not had an historically damaging earthquake, but the geologic information indicates one could well occur there. We are trying to work with the Utah Geological Survey and the universities in the area to get a better estimate of when such an earthquake could occur and what its overall effects are. Some of the studies in association with that effort will have to be stretched out and not pursued as rapidly as possible in order for us to focus the resources back in California.

Mr. **Yates**. Are you in a position to say that there could be an earthquake there in the Wasatch Mountains at any time now?

Dr. **Hamilton**. There could be, but we don't have a basis for predicting.

Mr. **Yates**. In the same way, you do for Parkfield?

Dr. **Hamilton**. Not at all. Parkfield is unique in that it has its history of repeated earthquakes and also the San Andreas fault is very well exposed and defined in that area. We don't have similar data in Utah at this time.

Mr. **Yates**. I have the impression you don't have similar data any other place in the country, that California is the one that has been studied and studied, and you do have data for that location. Does that mean that other locations in our country should not be the subject of concern to the degree that California is?

Dr. **Hamilton**. They should be the subject of concern and in a fully funded program——

Mr. **Yates**. I am not talking about funding. I am talking about concern for outbreaks. Perhaps you relate it to the question of funding. I am thinking what is the natural situation there? Is there a danger of an earthquake that could result in a tremendous loss of life and property in places other than California?

You talk about the Wasatch Mountains where you have such a study which now is going to be phased over a greater number of years because you think there is a possibility of an earthquake in the Wasatch Mountains. Are there other places in the country that are or should be the subject of similar concern?

EARTHQUAKES IN EASTERN UNITED STATES

Dr. **Hamilton**. Yes, I believe so. One area that has not had as much attention as California is the eastern United States and you perhaps read about the earthquake that occurred near Cleveland recently. We have not been able to associate that earthquake with any particular fault. I personally, before I got into this management job, did research in the New Madrid area of southeastern Missouri and, I think the work we have done in that area is one of the great achievements of the USGS.

We have succeeded in identifying the geologic structure specifically that generated those earthquakes in 1811 and 1812 which are similar magnitude earthquakes. Similar studies to that could be carried out elsewhere in the eastern United States to try to define the structures which are deep structures. They are not exposed at the surface like the ones in California. But the Cleveland earthquake was felt very widely and caused a lot of concern. This is a map that shows the ground shaking hazard around the country.

Mr. **Yates**. I better go vote.

[Recess.]

GROUND SHAKING HAZARDS

Mr. **Yates**. Let's go back to work.

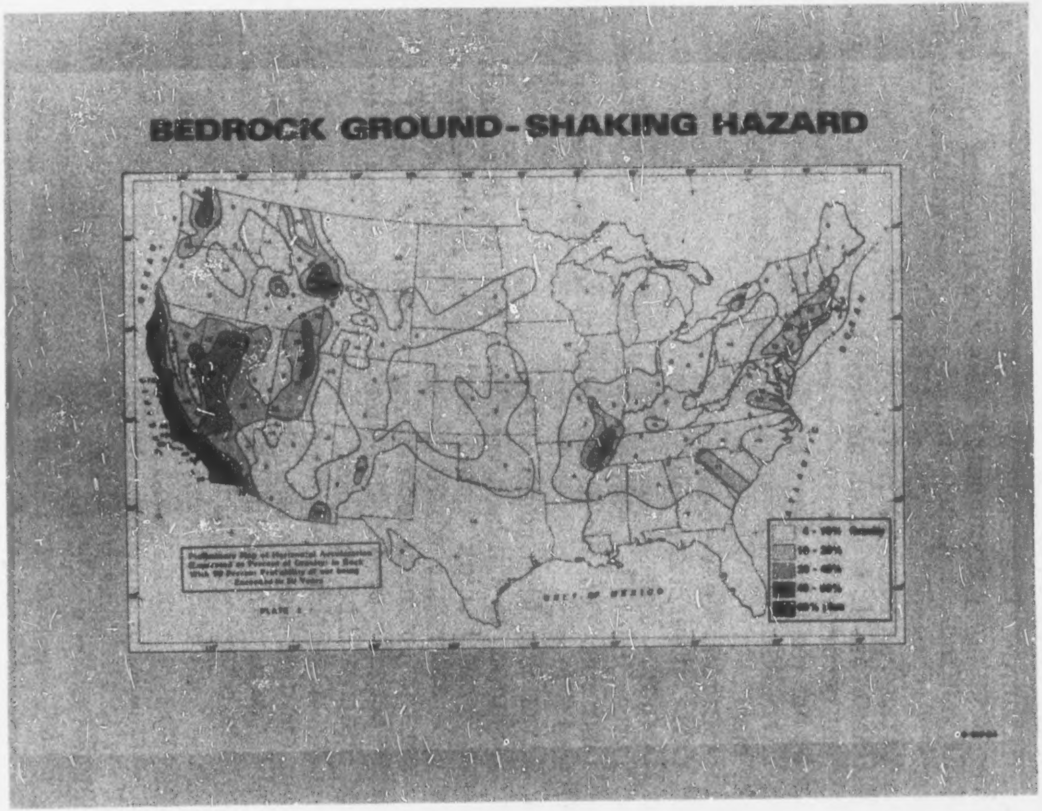
I guess in short, looking at all these hazards throughout the country, we are concerned about California. I look at your chart and you have one that is in deep orange and red. Light orange, I guess, is Utah?

Dr. **Hamilton**. This would be up through Nevada and this is the Wasatch zone in Utah and southern Idaho.

Mr. **Yates**. The orange reflects the possibility of greater concern?

Dr. **Hamilton**. More frequent occurrences of high ground shaking. But there also would be high ground shaking in the new Madrid area of southern Missouri and northwestern Tennessee. The Charleston, South Carolina is an area that is——

[The information follows:]


BEDROCK GROUND-SHAKING HAZARD
0 - 10% Gravity
10 - 20%
20 - 40%
40 - 60%
60% Plus
GULF OF MEXICO
PLATE 1

Mr. **Yates**. You pulled your money out of there, haven't you, in order to take care of California?

Dr. **Hamilton**. The Charleston seismic network is funded with Nuclear Regulatory Commission money as is most of the northeast. The NRC has indicated they are not going to continue that funding forever.

Mr. **Yates**. Not even for 1987?

Dr. **Hamilton**. It is touch and go. I think the Cleveland earthquake that occurred recently may cause them to have some second thoughts, but their long-term aim is to withdraw that funding.

Mr. **Yates**. Were you aware the Cleveland earthquake was going to take place?

Dr. **Hamilton**. We were not.

Mr. **Yates**. It surprised you?

Dr. **Hamilton**. Yes.

Mr. **Yates**. Should it have?

Dr. **Hamilton**. Yes. We have no ability to predict earthquakes in the United States.

Mr. **Yates**. Shouldn't you have?

Dr. **Hamilton**. It will be a very hard problem to actually predict the time. What I think should be the goal in the eastern United States is to determine where the seismically active structures are that have the potential for causing earthquakes, but I think the ability to actually predict the time of earthquakes in the eastern United States will be very hard to achieve.

Dr. **Peck**. One thing we may be able to do in time in the east through detailed studies is to determine recurrence intervals and that will give us some feeling in an area whether we are coming up to the time where we could expect an earthquake. But, of course, much of our effort is concentrated in California because there are frequent large earthquakes.

For example, in southern California there is still a 50 percent likelihood in the next 30 years there will be another magnitude 8 earthquake which would cause an awful lot of damage.

Dr. **Hamilton**. As you know, the earthquake program in the survey is unique. It has a separate authorization. There is an Earthquake Hazards Reduction Act.

Mr. **Yates**. In what, your budget?

Dr. **Peck**. Earthquake Hazards Reduction.

Dr. **Hamilton**. It lays out a joint program with the National Science Foundation, the USGS, the Bureau of Standards and the Federal Emergency Management Agency. Under the act, the full authorization level——

Mr. **Yates**. It is a good act, but if you don't have any money to implement the act, what good is it?

Dr. **Hamilton**. We almost have enough. The full authorization level is $37.2 million, and we are close to that.

Mr. **Yates**. You don't want me to worry about you and your program then.

Dr. **Hamilton**. I wouldn't say that.

Mr. **Yates**. What would you say?

Dr. **Peck**. Worry.

VOLCANO HAZARDS PROGRAM

Mr. **Yates**. I am trying to get you to tell me how much I should worry. Should I talk to you about volcanos, too, while you are here?

Dr. **Hamilton**. Yes.

Mr. **Yates**. Hawaii continues to be an active place, doesn't it?

Dr. **Hamilton**. Yes, it does.

Mr. **Yates**. There is one in Alaska, too, isn't there?

Dr. **Hamilton**. We have recently completed the forty-third phase of the eruption of Kilauea and the dome is now over a thousand feet high. This is a new volcanic cone that is being created in Hawaii.

Mr. **Yates**. That is the next one to go? When you build a cone, what does that mean?

Dr. **Hamilton**. In Hawaii, on the big flank of Kilauea, is a big rift system that runs down the volcano. There has been activity along it every now and then.

As you know, Dr. Peck spent some years at the Hawaii Volcano Observatory and is an expert on the volcano. So maybe you should ask him.

Mr. **Yates**. Why are you holding off?

Dr. **Peck**. I didn't want to interject myself, Mr. Chairman. There have been 43 episodes over the last three-and-a-half years at one spot on the rift zone, east rift zone of Kilauea. Each one has added to a structure of a cinder spattered cone, that has gotten larger and larger, so it is now uniquely large, the largest cone on that entire rift zone.

As you mentioned, there has been an eruption in Alaska, too, the Augustine Volcano, which last erupted, I think, in 1975, erupted again throwing out ash. It is a volcano a lot like St. Helens Volcano that throws out a lot of ash and builds up a sticky dome in the crater. So our program is stretched rather thin this year trying to monitor the activity in Kilauea and also monitor the activity of Augustine.

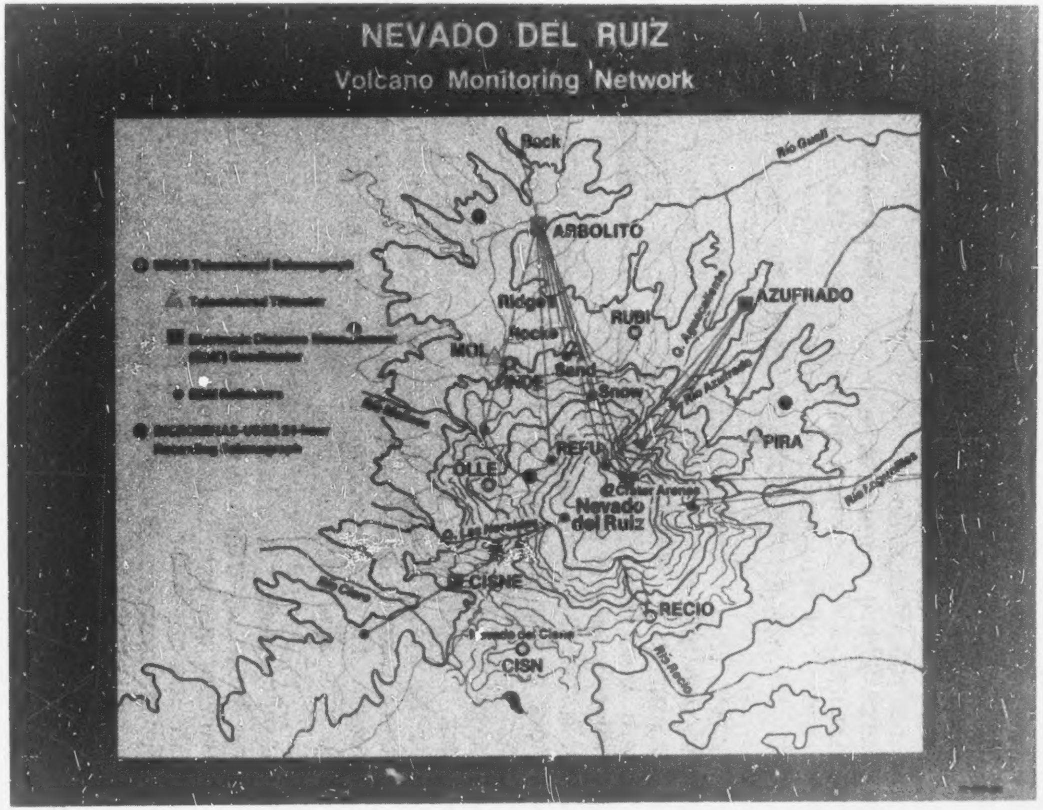
Dr. **Hamilton**. We continue to have interest in Mount St. Helens, of course, and also Long Valley. We have not had additional phenomena in Long Valley that raises our anxiety level, but we continue to monitor that area, as well.

COLOMBIAN VOLCANO

Mr. **Yates**. What about Colombia?

Dr. **Hamilton**. We sent a team to Colombia. We were very fortunate in having on our staff a geologist, Darrell Herd, who had done his Ph.D. thesis on this volcano a number of years back. Following the disaster down there, we sent a team down. In the short-term, we established a network of instrumentation around the volcano to aid the Colombians in trying to anticipate further eruptions, and we are now assisting them in establishing what we hope will be a permanent volcano observatory in the area of the volcano.

[The information follows:]



NEVADO DEL RUIZ

Volcano Monitoring Network

Rock
ARBOLITO
Río Gualí
Ridge
Rocks
RUBI
AZUFRADO
Río Azufrado
MOL
Sand
INDE
Snow
PIRA
REFU
OLLE
Cráter Arenas
Nevado del Ruiz
Río Lagunillas
Las Nereidas
CISNE
Río Claro
RECIO
Nevado del Cisne
CISN
Río Recio

Dr. **Peck**. This was done with the support of the Office of Foreign Disaster Assistance.

Dr. **Hamilton**. Yes. Our funds for this type of activity come from AID, the Office of Foreign Disaster Assistance.

Mr. **Yates**. Who initiates that? Do they or do you?

Dr. **Hamilton**. We work together on it. We have a good pattern set up and when there is an earthquake or volcanic eruption somewhere in the world we immediately start a dialogue with AID, and usually they will support us to send a team out, but it has to come at the request of the foreign government and at the request of the embassies in that country.

Dr. **Peck**. Our goal, in Colombia, is to provide the local scientists with the training and the instrumentation so they can do the job themselves so at this stage we have brought everybody back from Colombia.

We will be sending some people down to help train them and help them learn how to run the instruments, but essentially now they are in charge there.

Dr. **Hamilton**. In the case of Colombia when the disaster occurred and aid was requested, we immediately took our instruments and transported them down there and deployed them and then we are going to leave them in place to form the instrumentation base for the new observatory and AID will give us the money to replace the instruments we took down there.

MOUNT ST. HELENS

Mr. **Yates**. All right. What is the status of Mount St. Helens?

Dr. **Hamilton**. Mount St. Helens has been fairly quiet recently. They have completed the tunnel out of Spirit Lake to remove the threat of the problem of the lake over-topping the debris flow. So that situation has been stabilized.

With the Water Resources Division, we continue to monitor up there. We still have our observatory in Vancouver, Washington, and we feel that continuing concern has to be devoted to the erosion of the features that were created, the downstream sedimentation problem, the possibility of earthquakes or further landslides.

The dome within the crater, I believe, is around 1,000 feet high and has the potential to collapse and send rock slides and further debris avalanches down, but we are monitoring the situation.

Mr. **Yates**. It is quiet? There are no rumblings going on?

Dr. **Hamilton**. Pretty quiet, yes.

HAWAIIAN VOLCANO OBSERVATORY

Dr. **Peck**. In Hawaii, we are completing this month the construction of a new observatory by courtesy of the Congress, which added money to the Park Service budget.

That is a facility that will be shared between the Survey and the Park Service. It will be a remarkably fine observatory both for our purposes and for the use of visitors and the Park Service.

Mr. **Yates**. For the show.

Dr. **Peck**. For the show. There will be a dedication next January.

CONDITION OF WATFR RESOURCES IN 1985

Mr. YATES. Thank you. The one that took the biggest downage after yours, I guess, is Mr. Cohen. Would you like to come forward, Mr. Cohen, and tell us about the condition of the water of the country and what your losing in the budget that you shouldn't be losing?

Mr. COHEN. First, it is a pleasure to be here again, Mr. Chairman.

Mr. YATES. It is a pleasure to have you.

Mr. COHEN. Would you like me to address the first part of your question, the condition of the water resources in the country?

Mr. YATES. That was my intention.

Mr. COHEN. The first chart, Mr. Chairman, speaks largely to the quantity of surface water in the United States. The upper chart shows the conditions for calendar year 1985, the lower chart for calendar year 1984. The blue areas are areas where stream flow is above normal. The red area is where stream flow is below normal and the white area is generally normal.

The upper chart really in a sense is typical of the long-term hydrology of any parcel of the earth where, on the average, you have more stream flow in one place and less in another place and over a long enough period of time the stream flow is average by definition.

I would like to point out a number of features. The persistent high stream flow in the Rocky Mountains, which has been going on for three years now. Also, there is consistent high stream flow in the basin of the upper Mississippi and in the Great Lakes.

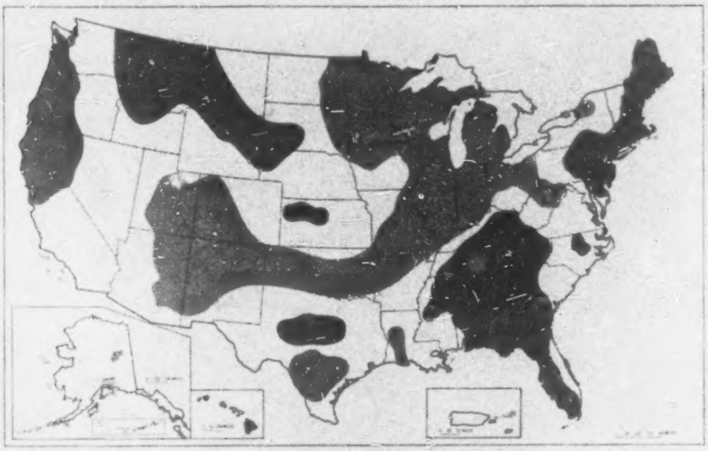
You recall the most dramatic manifestation of that long-term trend was the high flows in the Colorado River two years ago. The flows, the amount of precipitation, and the amount of stream flow that has been generated last year and this year are about the same as those that caused troubles two years ago, but modifications in the operating procedures of the major reservoirs have been implemented and there is no anticipation of any significant flooding on the main stem of the Colorado River this year as a result of the high stream flow.

However, there are no real practical controls that can be developed, certainly in the Great Lakes area, and perhaps to some extent in the Great Salt Lake area. They are considering expenditures of something on the order of $50 million, plus, in the State of Utah and those expenditures probably could regulate the lake at some level that the people in Utah would find acceptable.

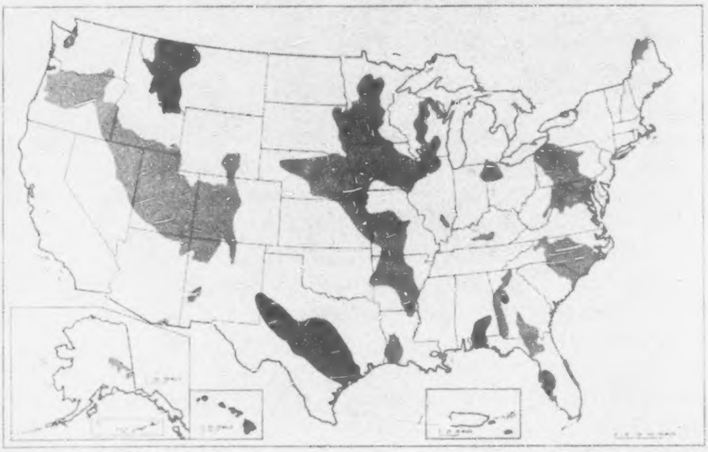
As far as the knowledge that I have, there is probably nothing one can do to significantly affect the high rise, the increase in levels of the Great Lakes. This is a long-term phenomenon. It has been documented throughout geologic time.

[The information follows:]

STREAMFLOW FOR CALENDAR YEAR 1985



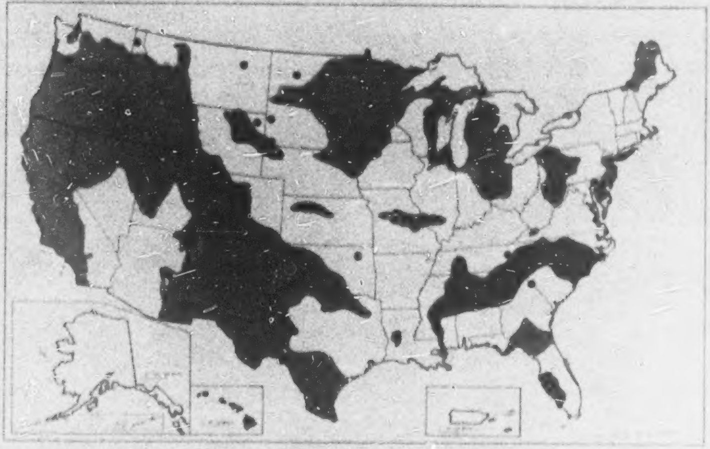
STREAMFLOW FOR CALENDAR YEAR 1984



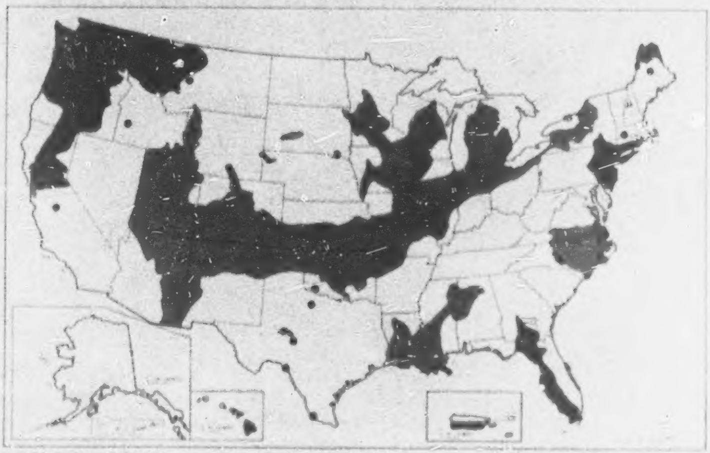
▨ WITHIN THE HIGHEST 25% OF RECORD

■ WITHIN THE LOWEST 25% OF RECORD

STREAMFLOW DURING FEBRUARY 1986



STREAMFLOW DURING FEBRUARY 1985


• BELOW NORMAL RESERVOIR STORAGE
▨ WITHIN THE HIGHEST 25% OF RECORD
■ WITHIN THE LOWEST 25% OR RECORD

Mr. Yates. It is cyclical, isn't it, every seven years or so, it goes down, and seven years it comes up?

Mr. Cohen. I am not sure of the shorter cycles but there are long-term cycles. As a result of those long-term cycles, and the fact that the drainage basin and the volume of water in the Great Lakes is of such a great magnitude, there are no feasible engineering solutions to the problem.

There are discussions about certain things that can be done which are very expensive and would result in lowering levels by several inches.

Mr. Yates. I know over the years, we have been trying to get more water out of the lakes for drinking purposes in Chicago and the surrounding suburbs, and that has always been fought by the sister states saying we can't take their water.

Now, I am sure they would love to send the water down the Chicago River into the Mississippi.

Mr. Cohen. That is one of the options that has been discussed, but even that would have a negligible impact.

Mr. Yates. I think over a couple years, it lowers the lake level by a quarter of an inch.

Mr. Cohen. It would be very small. The question of whether one diverts water from the Great Lakes is largely a political one, and would not impact those hydrological consequences that are now occuring. Some of the drought areas are interesting. They are causing some difficulties and there are some forest fires.

CHANNELING SURPLUS WATER

Mr. Yates. Too bad there couldn't be ways of channeling that surplus water to other areas, isn't it?

Mr. Cohen. In theory, this can be done. The Chinese and Soviet Union, as a matter of fact, are talking about programs of such a massive scale, they may or may not be built, and one could conceivably envision developing such programs in the United States, but the political heat would be——

Mr. Yates. Such as what? Canals and——

Mr. Cohen. Canals and pumping stations. The Chinese are talking about the largest dam in the world at the Three Gorges. The Soviet Union is talking about modifying a drainage system of the magnitude of the upper Mississippi River. But the economics are staggering, the politics in our society would be overwhelming, and the hydrologic consequences could be very dangerous.

You could be moving enough water around so it could have significant regional or even continental climatic impact that needs to be considered.

Dr. Peck. In Utah they are giving serious consideration to pumping water out of the Great Salt Lake into a former lake basin. We used our APTS airplane and equipment to do a very detailed survey of that anicent lake basin for the topography, so they could do a feasibility study of taking that course of action.

Mr. Cohen. Again, for the record——

Mr. Yates. What would they do with the water from the Great Salt Lake?

Mr. PECK. They would pump it from Great Salt Lake into a former part of the former salt lake, Lake Bonneville, and let it evaporate.

Mr. YATES. Then what would you have? Salt flats?

Mr. PECK. Over existing salt flats.

Mr. COHEN. That is on the order of $50 million. We have also compared stream flow conditions in the year 1986 with the previous year and, again, you see 1986 seems to be somewhat wetter than 1985, although not dramatically so, and you have a mix of areas of high stream flow and low stream flow, but, again, that persistent pattern—one does not necessarily have to see an annual pattern on a month-by-month basis—is rather remarkable. For example, the persistent pattern of high streamflow in the Rocky Mountains and in the drainage basin of the Upper Missouri and Mississippi and the Great Lakes.

Now that is one way of speaking about the quantitative aspects of the condition of the Nation's water. We put this map together to speak to an issue you have raised a number of times at previous hearings, what about water quality, is it getting better? Is it getting worse? What can we say on a national scale?

This is a reproduction of a map that we published in our second National Water Summary. There are a number of points that I would like to try to develop using this map. First of all, it addresses one chemical constituent, and only one, and that is nitrate.

NITRATE IN WATER

Mr. YATES. Why do you only address nitrate?

Mr. COHEN. The principal reason is that nitrate has been recognized to be a public health hazard for at least the last 50 years. In excess of 44 parts per million is expressed as nitrate, it has been known to cause one of the blue baby-type diseases. Ingested by pregnant women, it can cause blue baby-type diseases. So at least for 50 years local health departments almost routinely have tested drinking water for bacteria and nitrate.

If they went one step further than that they might have analyzed total salts. Those are generally the two constituents that were of concern with regard to health—nitrate and bacteria. So there is a lot of nitrate data around as contrasted with some of the other types of data we will talk about in a moment.

We wanted to determine to what extent we could answer the questions that you and others have posed, what is the condition of the Nation's ground water?

There are literally thousands of studies conducted at points throughout the United States over a period of a hundred years or more, many which we conducted and many by state and local agencies. We thought we had our best shot at at least a picture of the gross aspect of the chemical quality of the Nation's ground water if we looked at nitrate.

We use a computerized procedure involving certain criteria and certain simplifying generalizations. First of all, we said with this exercise, we could only handle the data if they were computerized. In theory, one can take the data and keypunch them. That would have been an enormous effort way beyond any capability we had with regard to what we were intending to do.

Secondly, the data had to be readily available for other purposes. In some cases, the data was held in confidence and it was difficult to get the data, but we did get data from most of the States. We made the assumption, which is a reasonable assumption, that where nitrate is three milligrams per liter or more one can suspect with a fairly high degree of confidence that water has been impacted as a result of human activities.

At that level you tend to think you are looking at something above backgrounds although natural levels can be above three milligrams per liter.

We made some simplifying assumptions even more significant with regard to this matter. We said we would look at every county. Where we had more than five samples, not very many samples, and if 25 percent or more of those samples had more than three milligrams per liter of nitrate, we would paint it pink and the rest we would paint blue.

That represents the total data base for the country that we could readily get our hands on, that we had some confidence in. These samples were not obtained at one time. This represents data taken over a period of, as I said, 50 years or so.

So this map cannot tell you if it has gotten worse or better. It simply says this is the condition as we found it on the average with all of these assumptions.

There are a number of things that show up, the High Plains aquifers roughly in this area. It has been an area of fairly intensive agricultural activity for a long period of time.

Mr. YATES. When you refer to "this area", for the record, what states are you indicating on the chart?

Mr. COHEN. From Nebraska southward to the panhandle of Texas. It has been an area of intensive agricultural activity for a long period of time and there are many, many activities associated with agriculture. Perhaps most relevant with regard to this map would be the use of nitrogen-based fertilizers and the raising of livestock which are widely known to cause increases in the nitrate content of ground water.

So, here, based upon this rather crude approach to looking at the data, we can see that there is an awful lot of nitrate in the groundwater of the High Plains aquifer or at least a lot of the High Plains aquifer is shown as being pink.

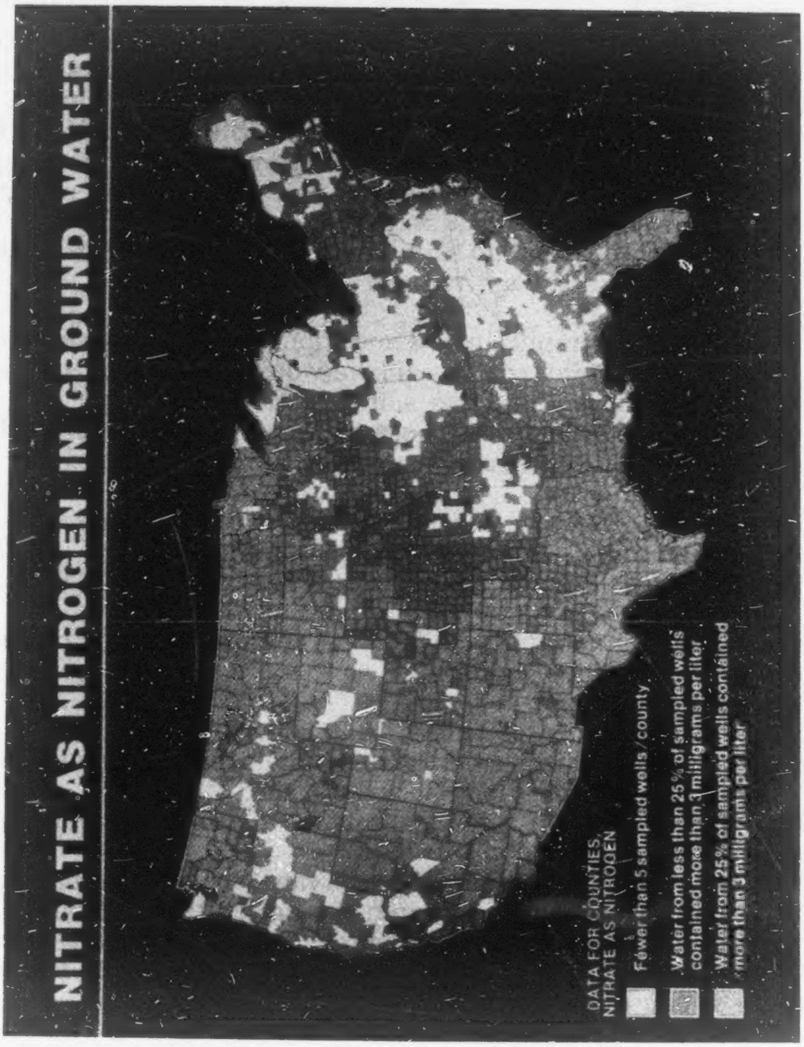
Mr. YATES. I have got to go vote, but is that because of the soil of the farms and the farmers using the soil?

Mr. COHEN. Using nitrogen-based fertilizers and feedlots probably in large part.

Mr. YATES. I have got to go vote. I will call you back.

[Recess.]

[The information follows:]


NITRATE AS NITROGEN IN GROUND WATER
DATA FOR COUNTIES, NITRATE AS NITROGEN
Fewer than 5 sampled wells/county
Water from less than 25% of sampled wells contained more than 3 milligrams per liter
Water from 25% of sampled wells contained more than 3 milligrams per liter

AFTERNOON SESSION

CAUSES OF NITRATE IN GROUND WATER

Mr. **AuCoin** [presiding]. Mr. Cohen, I understand you were in the midst or process of an overview. If you would like to complete that now, you may.

Mr. **Cohen**. Mr. AuCoin, the point I had reached was based upon an analysis of about 125,000 ground water samples which were collected over a long period of time, and we were able to make some crude inferences about the occurrences of nitrate in ground water throughout the United States.

The pink areas are areas where one would expect the nitrate is associated with the activities of man. I had pointed out in the High Plains aquifer where you see the predominant pink area, we reason much of that is probably attributable to agricultural activities such as the application of nitrogen fertilizers and feedlots.

One or two other points of interest to illustrate some of the major issues related to this board is the fact that all of Long Island is shown as pink. That is related to, we are fairly certain, a mixture of human activities ranging from intensive agriculture in historic times and now continued agriculture in the eastern part of the island, intense urbanization with more than 50,000 cesspools and septic tanks, and industrial activities.

The point I would conclude is that——

Mr. **AuCoin**. Long Island is on cesspools and septic tanks?

Mr. **Cohen**. It was until about 25 years ago when the first major sewage treatment plant was completed in Nassau County, and within the past decade, I believe, two other major sewage treatment plants have been completed in Nassau and Suffolk Counties. So they have now dramatically switched to centralized collection and treatment, but for many, many decades, and beginning with the very rapid urbanization after World War II, there were somewhere on the order of 50,000 cesspools and septic tanks.

We see remnants of those activities in the ground water, but nitrate is the only component for which we can make a very crude and primitive statement about the quality of the Nation's ground water on a national scale.

Some of the concerns related to that comment is the fact that one has to speculate that in addition to nitrate from agricultural activities, what problems, if any, do we have with the application of pesticides and herbicides. The point there is there is no national data base to demonstrate that.

Moreover, there are no processes in place right now in which one can repeat this map, say, five years from now and thereby answer some of the questions that have been posed by this committee in the past, are things getting better or worse?

Dr. **Peck**. Mr. Chairman, to address that question in the long run, we started with supporting encouragement of this committee in the initial water quality assessment program. We have been spending $2.5 million, as appropriated for fiscal year 1986 through congressional action.

We have been spending the year refining our approach, working with other Federal and State agencies to make sure we have good methods of developing and handing off the data and starting seven pilot projects.

STATUS OF NATIONAL WATER QUALITY ASSESSMENT

Mr. **AuCoin**. Why don't you use this moment to give us the status of your efforts to develop a national quality assessment. Can you amplify and give us a sense of where those efforts stand?

Dr. **Peck**. Fine. I will make a start and then I will ask Mr. Cohen, as Chief Hydrologist, to amplify.

We have been working very intensively with the department. The department set up a task force to address this problem and we have met with other agencies like the Department of Agriculture, agencies involved in water, like the Soil Conservation and Agricultural Research Services, with the EPA, and the National Weather Service.

Mr. **AuCoin**. Have you been in discussion with these agencies, all those relevant agencies?

Dr. **Peck**. Yes, and we asked the National Academy of Sciences to review our plans and set up a committee to do so.

Mr. **AuCoin**. When did you begin doing that work, interfacing with the other agencies?

Dr. **Peck**. Last fall?

Mr. **Cohen**. Almost immediately after last year's hearings.

Mr. **AuCoin**. You went ahead and were able to do that even in the absence of funds from the Congress?

Dr. **Peck**. That is right. In fact, we spent several years doing some preliminary planning on how we would approach it. It is a very difficult intellectual problem, how to do an adequate job with a reasonable budget, and Phil and the staff have been working with our district offices in all of the states of the country trying to identify suitable areas for pilot projects. We will try this out on a pilot basis.

Mr. **AuCoin**. What kind of interest are you getting from the other agencies you are dealing with?

Dr. **Peck**. We are getting mixed interest from the other agencies.

Mr. **AuCoin**. Some good, some bad.

Dr. **Peck**. Yes, from the standpoint that this is a program of long-term data base and looking at long-term trends, it is not aimed at identifying site specific problems nor helping solve some of the very immediate problems that agencies like the EPA have.

Mr. **AuCoin**. Some agencies are more short-term in their interests and others are long-term.

Dr. **Peck**. That is right. They are fighting forest fires at the moment and not interested in long-term growth rates.

Mr. **AuCoin**. What are some of your problems getting some of the agencies to look at the long-term questions?

Dr. **Peck**. I think what is going to happen is that for each one of these pilot projects, we are going to set up a liaison committee involving state agencies and concerned Federal agencies. For example, one of the projects is in the Delmarva Peninsula looking at the ground water and its contamination. The EPA regional folks are very interested in that problem and by setting up that committee and working with the EPA on a regional basis I think they will learn to see the long range impact of the proposed program on their programs.

Mr. AuCoin. Are they contributing to that project?

Dr. Peck. EPA isn't. However, we can foresee in the immediate future that the state and local agencies will be contributing. In total, we have about 900 local cooperators and many of them are interested in and concerned about local ground water and surface water contamination problems.

Mr. AuCoin. Are you getting any funding from any of the agencies that you have to interface with for this purpose?

Dr. Peck. Again, I think over the next year or two, we can foresee funds from our state cooperators. I don't know whether we will see funds from other Federal agencies.

Mr. AuCoin. You are not now?

Dr. Peck. We are not now. With the Gramm-Rudman-Hollings budgeting, it is unlikely that we will in the next year anyway.

Mr. AuCoin. When do you expect to have a formal plan completed?

Dr. Peck. We have an interim plan completed.

Greetings, Congressman Regula.

We are in the process of drawing up very detailed plans on these pilot projects.

Mr. AuCoin. What about a formal plan? When do you think it might be reasonable to guess a formal plan would be completed?

Dr. Peck. Let me turn to Mr. Cohen.

Mr. Cohen. We have a document, Mr. AuCoin, which is about 50 or 60 pages in length and it comes as close to I guess something one would call a formal plan as one can get.

Mr. AuCoin. As you are going to get?

Mr. Cohen. In this sense. The document represents our plan, our thinking. It has been modified with all of the input from other Federal agencies. The document exists.

Mr. AuCoin. Could this committee have a copy of that plan as it now stands?

Mr. Cohen. Yes, sir.

Mr. AuCoin. You don't anticipate seeing it evolve any further?

Mr. Cohen. We do. That is one of the concepts behind these pilot studies. If you wish, we can outline the approach we are going to take.

Part of the approach is simply to test the methodology and its utility and to make mid-course corrections as we move down the path.

Mr. AuCoin. On the basis of what you learn from the pilot projects?

Mr. Cohen. That is correct.

Dr. Peck. One of the pilot projects is the surface water project in the Yakima River Basin. We will be working with state organizations, and with the tribe, as we have in the past. I can see as we continue to work along, we will find out better how to assess the quality of the water, but also what sort of data are needed by the local cooperators and the EPA regional people and shape the program towards their needs as well as towards our long-term needs.

Mr. AuCoin. You will provide that for the committee.

Mr. Cohen. Yes, sir.

If I may ask, though, if we can have a short period of time, say, several weeks so we can polish it. It has been in an evolutionary stage. We can deliver the document within a week, but if we can have several weeks to polish it we would appreciate that.

Mr. AuCoin. There are 52 weeks in a year.

Mr. Cohen. We will have it to the committee within a month or less.

NATIONAL WATER QUALITY ASSESSMENT PLANS

Mr. AuCoin. Fine. We would appreciate it.

You began to talk about some of these prototype studies. Tell me whether or not you have identified river basins and aquifers and how you intend to use the prototype studies to advance——

Dr. Peck. We have identified seven prototype studies. Surface water studies include the Yakima study I mentioned, one in the Kansas River basin, one in the Kentucky River basin and, one in the upper Illinois River basin. The three ground water pilot areas include the Delmarva Peninsula, the Garber-Wellington aquifer in central Oklahoma, and the other area, Western Nevada basin—was it called—Carson Valley and perhaps Mr. Cohen could expand on just my bare mentioning, at least.

Mr. Cohen. At last year's hearing, the Chairman asked us to provide him a letter outlining the concept for a national water quality assessment program. As Dr. Peck indicated, we have been working on this concept for a number of years.

It is a rigorous intellectual challenge. The document that we will provide you will be a fifth or sixth iteration. If I can take a few moments, I will tell you what the entire concept is and how these pilot studies fit into it.

The issue is trying to develop a cost effective way——

Mr. AuCoin. Are you going to complete these pilot studies first before you expand to a full scale program? Is that the idea?

Mr. Cohen. I think the concept that is now generally accepted by the administration is that we ought to go through these pilot studies and develop a formal evaluation process to determine whether or not they have in fact been effective before we commit to a full out program.

Dr. Peck. In brief, our plan over the next several years is to continue at the same order of magnitude. We are requesting an additional $500,000 to start a couple more pilot projects next year, but certainly for the next three years, we will be in initial pilot project stage.

Mr. Cohen. The previous chart on nitrate was to introduce the general problems associated with the scarcity of data on a national level and the next point I should make, the scarcest data, the data least available are those of greatest interest—toxic constituents, synthetic, organic compounds and metals.

We have very little data that we can say anything about these substances on a national basis. We have no synthetic organic or metal data, the types of things people are very concerned about, cancer-causing constituents and toxic constituents. The concept that we have evolved, represents a fairly ambitious program if and when it is implemented on a full scale.

We have looked at what is referred to as the 222 sub-regions of the United States, which includes all of the United States and these sub-regions are defined on the basis of hydrologic boundaries.

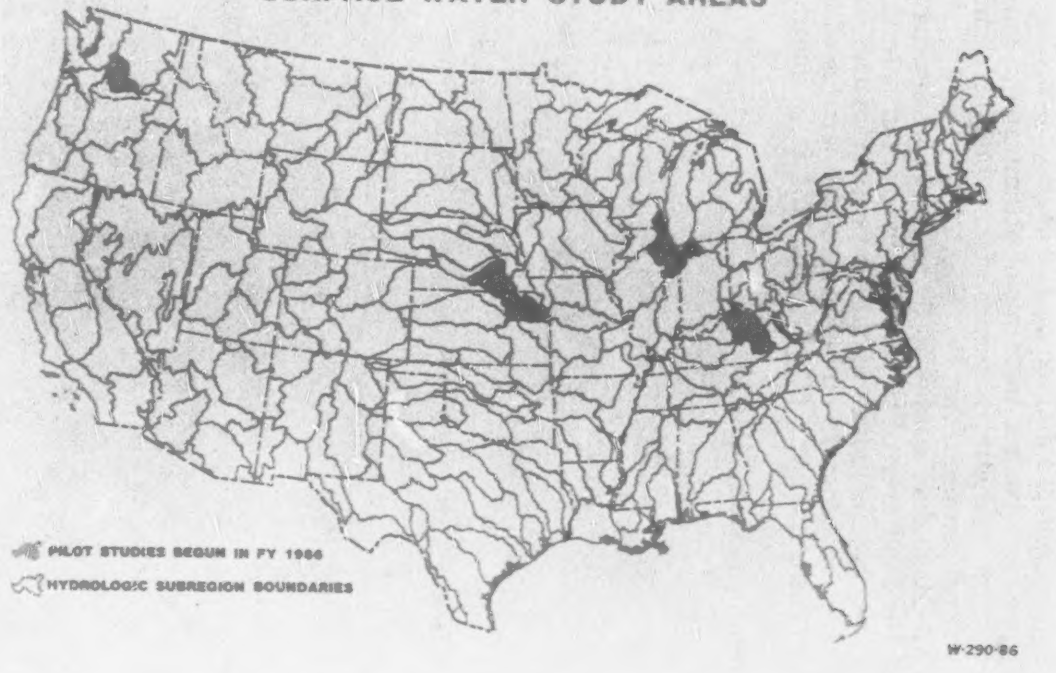
They are river basins. In terms of attempting to make the cost of this program realistic in terms of the budget climate, we have made several compromises.

We would conduct studies in 90 basins representing about 40 percent of the land area of the United States, but selecting those sites so that we are including about 80 percent of the water use. We would then concentrate our efforts in 40 percent of the land area and not the remaining 60 percent. This is a compromise on the basis of economics.

[The information follows:]

NATIONAL WATER QUALITY ASSESSMENT PROGRAM

SURFACE WATER STUDY AREAS


PILOT STUDIES BEGUN IN FY 1986
HYDROLOGIC SUBREGION BOUNDARIES
W-290-86

Mr. COHEN. When and if the program is fully implemented, we envision studying 30 basins for a period of three years and if you wish, the next chart can show you some of the approaches we are going to take. After completing those 30 basins, we would leave behind a skeleton network of monitoring sites and move on to the next 30 basins.

After completing those, we would do the same and move onto the next 30 basins. Thus, in nine years we would have complete national coverage within the constraints that I have told you.

We will have a picture of the chemical quality of the Nation's streams which we now do not have, on a fairly coarse scale. We would have had monitoring stations in place in the studies which we have initiated in the first three years.

We will go back six years later and say how have things changed? We made an intensive investigation. We have made some observations. We have made some predictions, predictions which could be used by water managers to decide to construct or not construct sewage treatment plants, to make decisions on allowing the development of one type of industry as opposed to the other.

These would be the outputs of our work. Information products, data and interpretative models that the water management agencies at the state, local, regional and national level can use. We envision this as a national monitoring scheme which would go on in perpetuity. Thus, instead of saying we would have X number of points around the country which we would look at continually, we think it is more cost effective to use this approach.

SURFACE WATER ASSESSMENT

Now, let me take one basin and illustrate the proposed work in a little greater detail. This is a hypothetical basin, one of the 90 which would ultimately cover the entire United States having a length of say, 200 miles. We have in place throughout the country a number of gaging stations, mainly at the mouths of major rivers. We would propose to make an intensive investigation in each one of the 30 basins during the first three years of the program.

Let me refer to the study unit. We would address the study unit by installing a number of additional fixed stations and measuring the chemistry and the flow at each of the stations.

In this particular case evaluating the impact of a city on the hydrology of the stream, and industrial facility on the hydrology of the stream, and evaluating the impacts on a reservoir and, in turn, the impacts downstream. So we would have a series of fixed stations.

We would also have a series of what we refer to as synoptic measuring points, points where we would collect water samples and water data essentially at one moment in time to fill in-between these continuous monitoring stations and make a statement about what the conditions are.

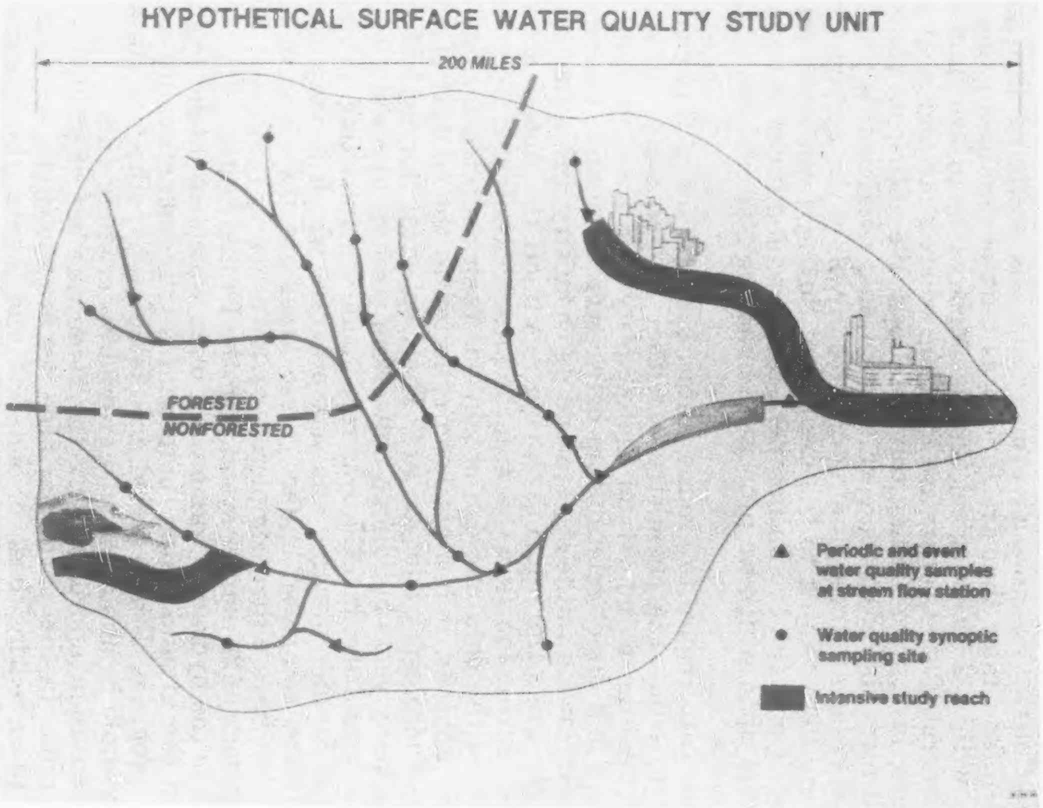
This would all be done within a period of three years. We would select certain river reaches for intensive investigations. This river reach hypothetically would be concerned about the impacts of mining, this about industry, and this, about a municipality.

We would then provide this information to the user community, develop predictive models, and move on leaving one or two or three or four stations in place to continue collecting data at a fairly low level, but collecting data in an intelligent manner based on three years of very intensive investigation.

Dr. Peck. Now, you raised a question of co-funding by other organizations.

I think, particularly, when we come to the intensive study areas that is particularly a part of the program that, I am sure, there would be a lot of interest in by our state and local cooperators, by entities in Oregon in Yakima River basin, for example, working with the Indian tribes or local organizations.

[The information follows:]


HYPOTHETICAL SURFACE WATER QUALITY STUDY UNIT
200 MILES
FORESTED
NONFORESTED
▲ Periodic and event water quality samples at stream flow station
● Water quality synoptic sampling site
Intensive study reach

GROUND WATER ASSESSMENT

Mr. Cohen. We now have many stations scattered throughout the United States that are funded as part of one or another program within the Geological Survey. Most of them are funded by the Federal/State Cooperative Program where state and local agencies are, in fact, co-funding those stations. We anticipate that that would form the base upon which we would overlay this program.

So there is an underpinning of virtually all of the appropriations that are now coming to the Geological Survey from water-related activities plus the $50 million per year matching funds in our co-op program upon which we propose to build the National Water Quality Assessment.

Now, with regard to ground water, I should make this point. In order to study the chemistry of either ground water or surface water, one must understand the quantity, and the flow dynamics.

There is a direct relationship between, for example, the amount of water flowing in the stream and its chemistry. From the country that you come from during the spring runoff the waters are most diluted, during low flow the water is most concentrated.

Most of the data one can obtain has been collected for one purpose or another. It has not been collected in the context of where in the hydrologic cycle you are. The Geological Survey has spent many, many years building a network of stream survey stations.

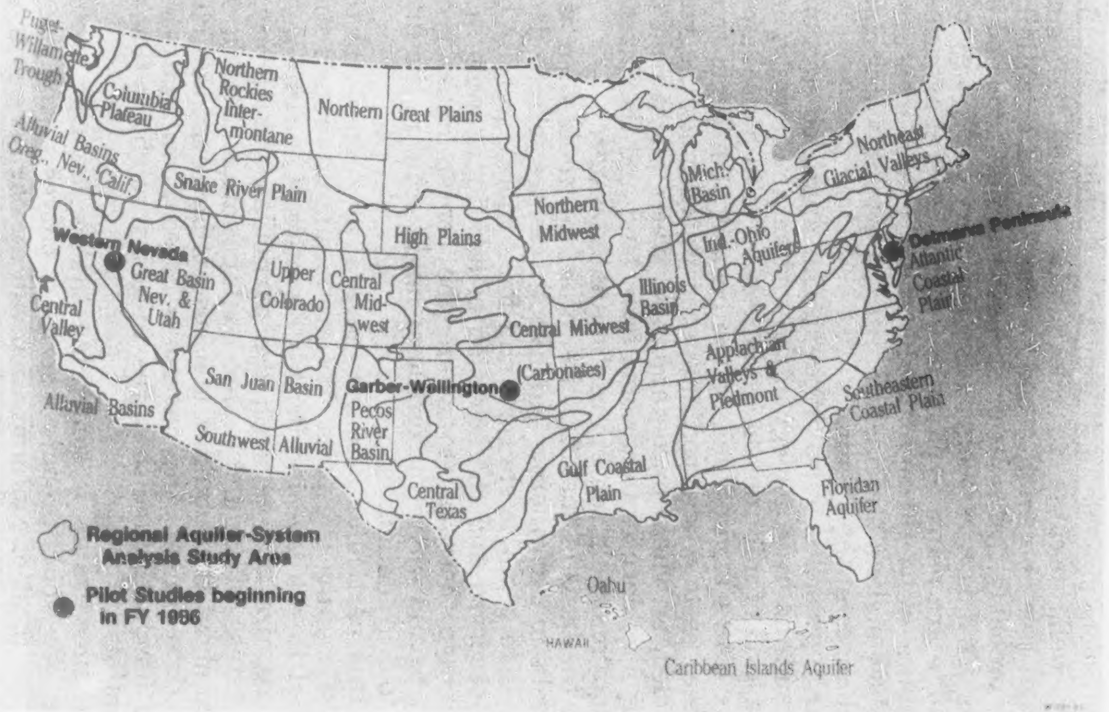
This committee, in 1977, was responsible for initiating a so-called regional aquifer systems analysis program which is very mature and almost complete. In fact, these areas are the areas of study where we have either completed, or have nearly completed, 20 investigations of 28 aquifer systems in the United States.

This is the hydraulic frame work upon which we intend to superimpose the ground water component of our water quality assessment program. I have tried to sketch a hypothetical situation which would be analogous to a ground water study unit.

We envision approximately the same number of ground water study units. In this particular area, we are showing a series of dipping water-bearing beds or aquifers and, again, the question of what wells do you sample and how do you sample the wells?

[The information follows:]

NATIONAL WATER QUALITY ASSESSMENT PROGRAM
Ground Water Study Areas


Puget-Willamette Trough
Columbia Plateau
Northern Rockies Inter-montane
Northern Great Plains
Alluvial Basins Oreg., Nev., Calif.
Snake River Plain
Western Nevada
Great Basin Nev. & Utah
Central Valley
Upper Colorado
Central Mid-west
High Plains
Northern Midwest
Mich. Basin
Northeast Glacial Valleys
Ind.-Ohio Aquifers
Delmarva Peninsula
Atlantic Coastal Plain
Illinois Basin
Central Midwest
(Carbonates)
Garber-Wellington
Appalachian Valleys & Piedmont
Southeastern Coastal Plain
San Juan Basin
Alluvial Basins
Southwest Alluvial
Pecos River Basin
Central Texas
Gulf Coastal Plain
Floridan Aquifer
Regional Aquifer-System Analysis Study Area
Pilot Studies beginning in FY 1986
Oahu
HAWAII
Caribbean Islands Aquifer

Mr. COHEN. It was earlier mentioned today by my colleague in a different context that wells are very, very expensive. The program we envision, sizeable as it may be, does not envision drilling very many wells because to adequately sample the water quality through this one small ground water section essentially would require probably five wells or at least one well screened and five horizons. That is a very expensive and very costly way of looking at it. There are plans, by state and other Federal agencies, to simply distribute wells throughout the country and measure them and somehow make a statement about the ground water chemistry and the changes in the chemistry.

Our approach is quite different. Our approach says one must understand the hydrogeology of the system, the flow dynamics, which is the kind of information we largely have in-house now as a result of our RASA studies, and on the basis of that begin to develop hypotheses as to where contaminated water might be vulnerable or degraded, or where uncontaminated water might be. For example, this is a wilderness near some farm land and the chart shows how the aquifers could contain contaminated water.

On the basis of that first iteration, we would then sample existing wells to test whether our hypotheses are correct. The next iteration is to begin to sharpen and focus more carefully on what we have observed and the selection of additional wells to confirm or refute hypotheses as to where the contaminated ground water might be and where the problems might occur in the future susceptible to degradation.

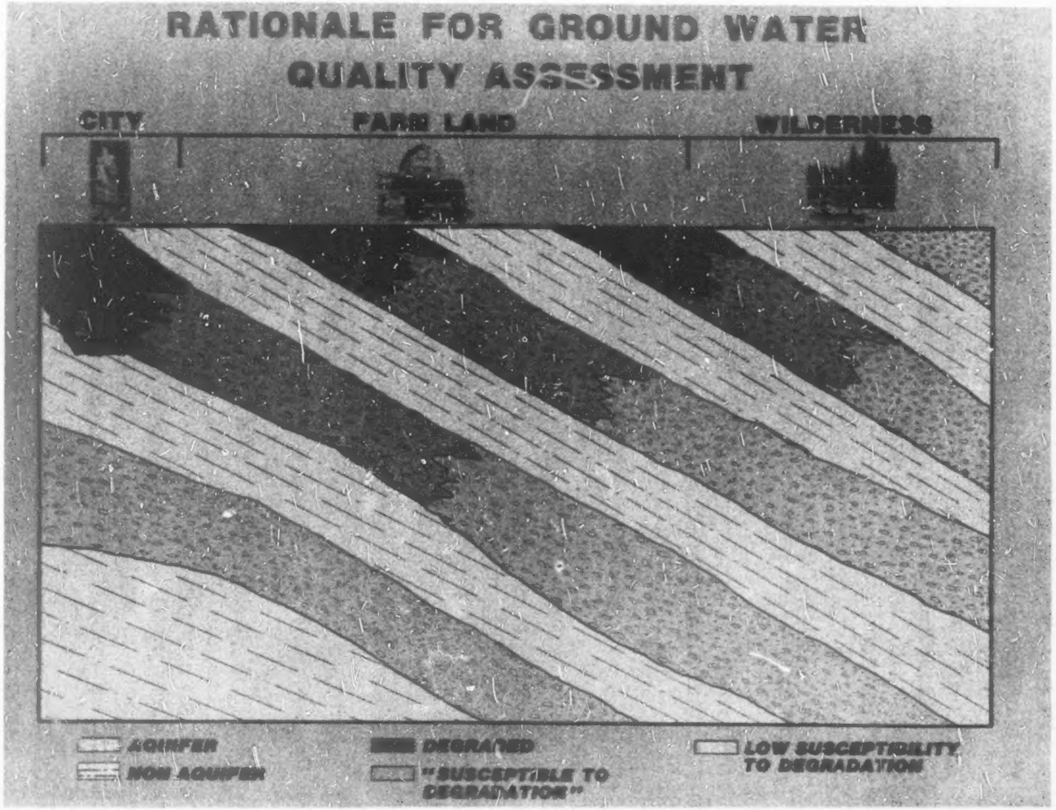
In this particular case, we have a very simple picture for the sake of making the point. We are assuming ground water flow is parallel to the layering in this direction. Concerns might be that we recognize that beneath the particular site or city, there are large areas of ground water contamination. Should we be concerned about that aquifer? Is it susceptible to contamination and in what time frame? Any answer is based upon analysis of groundwater flow paths and that, yes, in fact, it might be that this area is susceptible.

The time frame is something that a manager would have to define. We would prepare a series of curves saying you can expect that this front of contamination will appear here in X years. With our statement for example, that it will appear here in three years, a water manager can make certain decisions.

On the other hand, this, in fact, is the case with ground water flow, we might say it will appear here in 10,000 years. That is a rather important statement. It gets far more complex when we introduce the concept that the dissolved constituents, especially the organics and metals, do not necessarily move at the same rate as the water.

Moreover, those constituents can be degraded.

[The information follows:]


RATIONALE FOR GROUND WATER QUALITY ASSESSMENT
CITY
FARM LAND
WILDERNESS
AQUIFER
NON AQUIFER
DEGRADED
"SUSCEPTIBLE TO DEGRADATION"
LOW SUSCEPTIBILITY TO DEGRADATION

NEEDS OF OTHER FEDERAL AGENCIES

Mr. **AuCoin**. You mentioned that other agencies have a different analytical approach. Some of them have regulatory powers over activities that will have a bearing on these things and if there is a divergence of opinion, you are going to have some Federal agencies making decisions that may compound the problem because they are not working in harness with the survey.

Is that an accurate statement?

Dr. **Peck**. We are working pretty hard, Mr. Chairman, to work more closely with the major agency, EPA, on this.

Mr. **AuCoin**. How much money did they contribute again?

Dr. **Peck**. They are not contributing money. We have signed a memorandum of understanding. We have got our district chiefs and regional hydrologists meeting with them. We are planning, together, a training program for their staff so they have the hydrologic background.

I think we have made a lot of progress in working more closely together.

Mr. **AuCoin**. When do you expect to have a full scale program operating on the basis of how this is proceeding now?

Dr. **Peck**. Well, that depends, of course, on the budget climate and the result of our pilot studies. I suspect we are looking at the order of magnitude of three to five years.

GROUND WATER CONTAMINANT RESEARCH

Mr. **AuCoin**. I read a recent editorial—the testimony and the briefing you just gave me reminded me of it—from Science Magazine and that editorial said that the ground water supply of the Nation really is in great peril. It suggested that many steps are needed to respond to the threat, including development of new analytical instruments to identify and quantify mitigating contaminants, mapping of underground aquifers and laboratory development of bacteria which can metabolize wastes.

Do you agree with that assessment and that editorial?

Dr. **Peck**. Yes, indeed. Indeed, of course, we are working on some of those areas and working in cooperation with university researchers in the same area, including Dr. Panko from the Oregon Graduate Center.

Mr. **AuCoin**. Last year, Congress, in fact, approved or provided the Survey with $750,000 to work with the Oregon Graduate Center on ground water research. Is the work going to be consistent with the recommendations of the editorial I mentioned?

Dr. **Peck**. Yes, it is. We are continuing and this year expanding, the work with Dr. Panko. He has worked with us on better ways of, for example, sampling gasoline and other organics at several sites in Yakima and in New Jersey. We are talking to them about work on new analytical techniques.

There is a great need for better analytical techniques for organic contaminants.

Mr. **AuCoin**. Would you describe that relationship as a good program underway?

Dr. **Peck**. Very much so. As we get to know each other, we find other possible areas of collaboration. We are having extensive discussions with a whole different department of the Oregon Graduate Center on working on better utilization of computers, parallel processing.

They have a very fine computer department. It is a fine organization.

Mr. **AuCoin**. What if you had additional funds? Would you be able to continue that project and expand the project? Could the funds be well spent?

Dr. **Peck**. Yes. It would contribute to the national water quality assessment and our work on toxic waste ground water contamination.

Mr. **AuCoin**. I just happened to pick one institution out.

Dr. **Peck**. Yes.

VALUE OF SIDE LOOKING AIRBORNE RADAR

Mr. **Yates** [presiding]. Thank you very much.

Mr. **Regula**. Mr. Chairman, since you have given me your proxy for the OCS meeting, may I get some questions before I leave?

Mr. **Yates**. Of course you may, Mr. Regula.

Mr. **Regula**. Thank you, Mr. Chairman.

Welcome, Mr. Director. I will reserve some of these for the record, but a couple on my favorite topic.

I noted from the hearings in the Transportation Committee that Mr. Conte questioned about the use of air-eye sensor system to locate Challenger debris. Here was the response from the Coast Guard. I take it out of the total answer. "Flying at an altitude of 5,000 feet, the air-eye sensor system provided wide area search coverage with its side-looking airborne radar, SLAR." So it would indicate, it is a pretty effective system to locate even things under the water.

Dr. **Peck**. Even penetrating underwater?

Mr. **Regula**. Right. Do you agree with the value of that system for that purpose?

Dr. **Peck**. I am afraid that is beyond my area of experience, Mr. Regula, but I am not dubious. A little, maybe.

Mr. **Regula**. You would accept the Coast Guard response as valid.

Likewise, we submitted a question to the Bureau of Mines. The question was—as you may know, we have provided funding in this subcommittee for several years—for the USGS to acquire side-looking airborne radar and I understand this would be useful. I know your budget says you have done geological studies and mapping. Have you used SLAR data?

The answer is, "Like the LANDSAT data, the SLAR data provides information about the geological information on the surface, but not below. To make use of SLAR for coal mine roof control purposes and methodology for correlating the surface features represented by the remote sensor data, other data must be developed."

They go on to say, "The SLAR data has been useful. That is why I think it is indicative that we should continue the mapping program that you have developed as a beginning. " Do you have any problem with that?

Dr. PECK. No, outside of funding stringencies. We have made good progress. I think by this stage we have covered with SLAR, or we will by the end of this year's contracts, nearly a million square miles, something like 20 percent of the Nation, and over the last several years we are using this approach in a number of different environments with different vegetation, different geology, different structure so we can really test to see whether it would be worthwhile. There is interest, for example, in SLAR over the Hanford area in central Washington.

We have some coverage over the desert regions of California and Arizona. That will be a good place to test the utility of the data in those areas.

Mr. REGULA. Do you have anything on Utah—I note that the Bureau of Mines has some interest in using SLAR data from Utah.

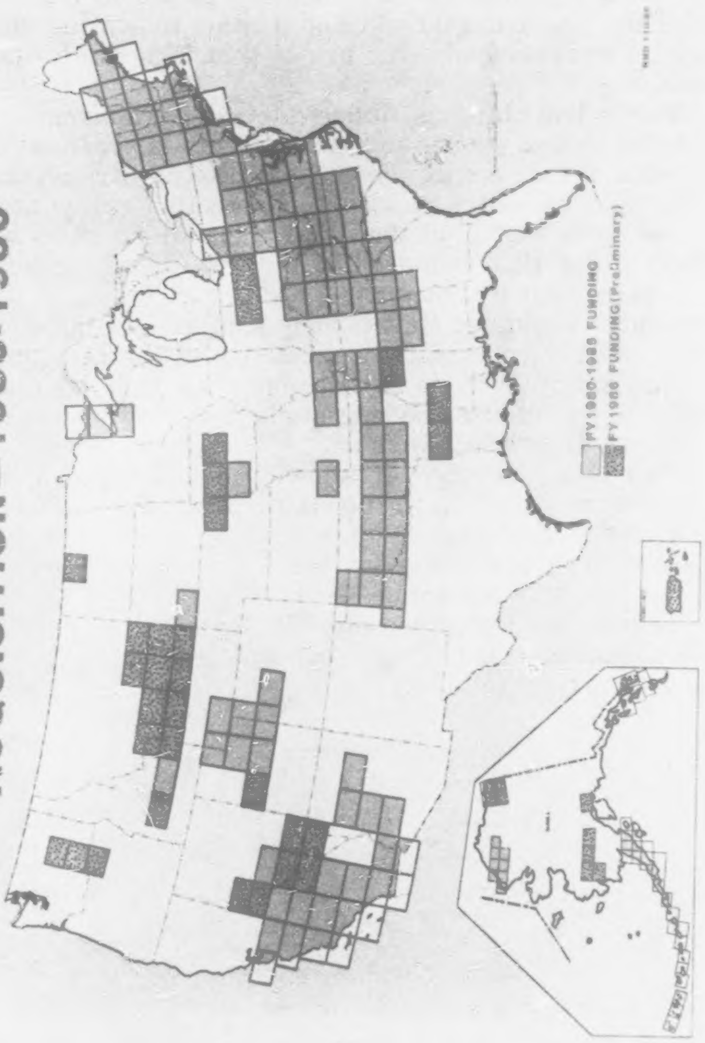
Dr. PECK. There is a block there you can see of eight 1: 250,000 scale quadrangles that span Utah, southwestern Wyoming and Colorado. I think the delivery of some of that imagery has been delayed because it was so heavily covered by snow. But that would cover the Wasatch front and on across the Great Salt Lake Desert to the Nevada line.

Mr. REGULA. Are you experiencing a number of requests for SLAR data through your office?

Dr. PECK. I think the requests have picked up as we have more imagery available; the total sales are not too overwhelming. I think certainly less than $100,000.

Mr. STARR. About $100,000.

[The information follows:]



SIDE-LOOKING AIRBORNE RADAR DATA ACQUISITION—1980-1986

FY1980-1985 FUNDING
FY1986 FUNDING(Preliminary)

USE OF SONAR ON THE EEZ

Mr. YATES. I know some of your overlaps are off the coast of California. Then you also said you had a chart indicating an underwater SLAR. I wondered whether or not that is useful for detecting oil deposits.

Dr. PECK. The thing is underwater, Mr. Chairman. Instead of using radar waves, we use sound waves similar to sonar. We have a broad scan sonar device developed by the British Institute of Oceanographic Sciences that we have a collaborative program with where we have just published and released an atlas covering all the West Coast EEZ using what is basically an underwater analogue to radar, but it is sonar.

It produces an image that is very similar to a radar image. The intensity of grey reflects the reflectivity of the bottom. It is more intense on sandy or bedrock bottoms than it is on mud bottoms. The reflectivity reflects the look angle just as it does in radar.

Mr. YATES. How effective is it?

Dr. PECK. Very effective in showing subtle topographic features as well as some variation in the character of the surface.

Mr. YATES. Is that SLAR?

Dr. PECK. Well, it is sonar.

Mr. REGULA. It is the same——

Mr. YATES. I am trying to help, Mr. Regula.

Mr. FREDERICK. It is the same concept.

[The information follows:]

SONAR (GLORIA) MOSAIC OF THE PACIFIC EEZ

Atlas of the Exclusive Economic Zone, Western Conterminous United States
U.S. Geological Survey
Miscellaneous Investigations Series
WASHINGTON
OREGON
CALIFORNIA
PACIFIC OCEAN
Scale 1:500 000
Other areas included in the Atlas

SLAR SALES

Mr. **Regula**. Last year, you said your sales were about $53,000 and this year, I heard correctly, about $117,000?

Mr. **Starr**. $117,000 total sales.

Mr. **Regula**. That is more than double.

Dr. **Peck**. That is of SLAR.

Mr. **Regula**. Do you get many requests from the state agencies for this?

Dr. **Peck**. There is a lot of interest by State geologists, has been all along, that continues including the State geologist of Ohio.

AERIAL SURVEY RESTRICTIONS

Mr. **Regula**. I am quite sure you have. As you know, Mr. Peck, I have had some concerns about restrictive Canadian policies toward aerial survey operations by U.S. companies while we have, in turn, not been able to compete for work in Canada. As you also know, we have twice awarded the USGS contract to a Canadian-affiliated company. Last year, language was added to the continuing resolution, in the transportation section, directing the Federal Aviation Administration to consider changes in their regulations which would ensure reciprocity. They have done that.

Now, I would like to ensure that these new changes are referenced in the request for proposals for future data acquisition. Do you intend to reference Section 1108(b) and the definition of foreign aircraft in Section 375.1 in the next RFP?

Dr. **Peck**. Let me request Mr. Jack Stassi to answer that.

Mr. **Stassi**. On that particular issue, we intend to look into it and to the extent we can, we will incorporate those provisions.

Mr. **Regula**. I think you almost are obligated to do that.

Mr. **Frederick**. I think we agree with that, Congressman Regula. At the time you raised the issue, and I think this wording was in the transportation bill, as I recall, we had our administrative people look into the issue and the answer that I have at the moment is indeed it will be incorporated and we are obligated to live with that language and can as a matter of fact without any problem.

SLAR ACQUISITION STATUS AND PROJECTS

Mr. **Regula**. What is the status of the 1985 SLAR acquisition? Is it complete?

Mr. **Starr**. The 1985 SLAR acquisition is almost complete except for the snow areas that were mentioned by the Director and we are hopeful to make the award for the 1986 acquisition by the end of August.

Mr. **Regula**. Has the 1985 information been delivered, the data delivered to the USGS?

Mr. **Starr**. Essentially, except for those five or six quadrangles, which have still not been processed.

Mr. **Regula**. Last year, Congressman Murtha asked you to be prepared to respond as to how effective the SLAR data was. Have you done any analysis along the lines as requested by Congressman Murtha?

Dr. PECK. Let me ask Mr. Starr.

Mr. STARR. We have done about 65 studies and projects in all the disciplines within USGS in hydrology and geology and in some of the cartographic and engineering applications.

Dr. PECK. I think your question, Mr. Regula, last year as I recall, had to do with could companies quote examples of having used it to find gas, as Colombia Gas has, using SLAR data or in finding new coal deposits or something like that.

If we have that data, I am not aware of that and I may have to respond for the record to that information.

Mr. REGULA. Okay.

[The information follows:]

APPLICATIONS OF SLAR DATA PRIVATE SECTOR USERS

Side-Looking Airborne Radar (SLAR) data acquired under the U.S. Geological Survey's SLAR Program have been used for diverse applications by private sector interests since this program began.

Private sector uses of SLAR data have been primarily in energy and mineral exploration and earth hazards assessment by oil companies and mining interests, and consultants to these businesses. Application is usually site specific for an area with mineral exploration potential. Unfortunately, information about the location, and particularly the application, is exceedingly sensitive and is considered confidential. During the past 2 years Geological Survey personnel involved in the SLAR program have been contacted by more than 50 private sector scientists and managers, regarding technical issues arising from the application of SLAR. But documenting the specific users and applications is usually not possible without violating the confidential interests of those companies.

Selected applications of SLAR data by private sector and other users include the following:

Philip Malone, formerly of U.S. Steel, now a principal of GeoMet, Fairfield, Alabama found that the SLAR data of the Black Warrior Basin in Alabama was of significant use in hydrocarbon exploration. Specifically, SLAR was used to identify fracture patterns associated with coal seam gas. He states that the SLAR data contributed significantly to this effort and saved money that might have been spent on unproductive exploration.

Kenneth G. Smith, Pathfinder Manager for Texaco USA's Southern Exploration Division, has used SLAR in the East Coast Mesozoic basins to support hydrocarbon exploration. He has found SLAR data very useful, particularly in areas where there is inadequate subsurface control.

Robert J. Altamura and Sidney S. Quarrier of the Connecticut Geological and Natural History Survey, have been using SLAR data for lineament mapping in Connecticut. Two of the significant lineaments identified on SLAR appear to be Mesozoic fracture zones which cut the entire State. These features are of significant interest to private industry because hydrothermal mineralization appears to be concentrated along these lineaments. This State agency has reformatted the SLAR data (at their own expense) into a State Mosaic which has been purchased by many private sector interests in the State. Mr. Altamura and Mr. Quarrier presented their finding on March 13, 1986, at the Northeastern Geological Society of America meeting in Monticello, New York.

Stan Groves of Groves Well Drilling Co. of Sylacauga, Alabama, uses the SLAR data of northern Alabama on a daily basis for ground water exploration. These data have been particularly useful in siting well locations in carbonate areas.

SLAR data are used for fold and fault frequency studies by private industry in the Appalachian region to improve gas exploration.

SLAR data are used for fracture analysis by private industry to improve resource estimates and reduce roofall risk in coal developments within the Appalachians.

SLAR data are used for fracture analysis by private industry to improve estimates of recoverable coal and reduce rooffall risk in coal developments within the Appalachians.

SLAR data are used for the study of hydrothermal alteration, mine ore control structures, and fault hazards investigations by the California State Geologist (James F. Davis). These data are also being used by private industry for energy and mineral exploration.

SLAR data are used for exploration for metallic mineralization and hydrocarbon potential in the Ouachita Mountains of Oklahoma and Arkansas by the Oklahoma State Geologist (Charles J. Mankin), academic interests (University of Arkansas), and private sector interests, including Conoco Inc. Aderbal C. Correa of Conoco published a paper on a structural study of the Ouachita Mountains emphasizing SLAR, in Oklahoma Geology Notes (June 1985).

SLAR data are used for hydrocarbon exploration near the Aleutian Islands of Alaska. The Geological Survey has made available photographic reproductions and printed copies of the SLAR mosaics of the Aleutians.

TOPOGRAPHIC MAPPING DATA BASE

Mr. **Regula**. Last year, you indicated the cost of acquiring mapping data which is then also sold to the public for the cost of reproduction is not the only thing that should be considered when determining value. In short, you said that public policy dictates that we have this data base irrespective of whether or not we sell it to the public.

I am speaking of your mapping base.

Dr. **Peck**. Yes.

Mr. **Regula**. I assume this would also then apply to SLAR data; is that correct?

Dr. **Peck**. Perhaps, Mr. Chairman, let me think through that as I discuss it. Much of the information that we gathered and the aerial photos we contract for and acquire are obtained to compile map products, maps, that are needed by the Federal Government.

Mr. **Regula**. Is the SLAR data useful to the Federal agencies?

Dr. **Peck**. The SLAR data is indeed, I am sure, useful to other Federal agencies. It is not used to make map products so that is a distinction between aerial photos that we collect for maps. I don't know. Doyle, do you want to answer that?

Mr. **Frederick**. Let me try that, Congressman.

I think basically we would agree that a radar data base in the country has value. The distinctions we would make, I think, between our national topographic data base and the SLAR data base would be two. One, we have traditionally had the job of preparing the topographic maps for the country in order to respond to Federal needs and record data like that at the request of Congress and OMB.

We put that together so the other Federal agencies indeed don't have to do it and we fund it that way. So that is a basic need that we have in that regard that is traditional as well as what we consider to be intelligent management with the Government's resources in that regard.

Secondly, as far as SLAR is concerned, there is a commercial capability. The people are willing to collect the data in a proprietary way and agree to make that available to the country. So we are not the specific source.

There could be some argument about how best to put it together. But I think they distinguish from those points of view.

Dr. **Peck**. There are some analogies, though, Congressman. We do have a program called the National High Altitude Photography Program. That is a program where we, together with a number of other Federal agencies, and particularly the Soil Conservation Service, also the Forest Service and BLM are all interested in obtaining high altitude aerial photography.

We all contribute money, and over the last five or six years, we have covered most of the country with high altitude photography which is then sold at the cost of reproduction to anybody. That is not a lot different than the SLAR program.

One little twist is it is a program where we cooperate with other Federal agencies or, in some cases, states in order to obtain the data. The underlying concept is the same as the SLAR.

COOPERATIVE FUNDING AND USER FEES

Mr. **Regula**. You bring up an interesting point and that is there has been more and more suggestion that we go to user fees. Do you think that we should raise the fees on the sale of the product you produce inasmuch as obviously what you are getting is the reproduction cost and nothing for all of the work that goes into it?

Dr. **Peck**. I think I would rather take the position that we seek more for cooperative funding for ventures rather than to raise the user fees.

Mr. **Regula**. Cooperative with whom?

Dr. **Peck**. With states or other Federal agencies, other people interested in obtaining the products.

Mr. **Regula**. You mentioned mapping was the original mission and I was kind of interested in reading here from the Act of 1879 in which the USGS was created. It said, "This officer—"—that is you—"—shall have the direction of the Geological Survey and the classification of the public lands and examination of the geological structure, mineral resources and products of the national domain."

Now, I think geological structure and mineral resources would go beyond just mapping.

Dr. **Peck**. Of course, the actual beginning of our topographic mapping program was an adjunct to the geological studies. In areas where there was no topographic mapping, one simply couldn't make sense of the geology without a topographic map so that was sort of the start.

Then it was realized that topographic mapping was very useful for many other purposes and that program was expanded. But it started out as sort of an adjunct or necessary component to the geologic studies of the structure.

Mr. **Regula**. The Chairman always likes to know what you requested originally from the OMB as related to what you received and in keeping with the spirit of that line of questioning, I would like to know whether or not you requested any funding for SLAR in your original request.

Dr. **Peck**. No.

Mr. **Regula**. Thank you, Mr. Chairman.

WORK AT KESTERSON AND THE GRASSLANDS

Mr. **Yates**. Now, tell us what you are doing at Kesterson and the Grasslands.

Dr. **Peck**. We have many studies going on, Mr. Chairman, and we have, I think, made some significant findings over the last year, although our studies are by no means complete. These range from soil studies in the whole San Joaquin Valley and areas around Kesterson, ground waters around Kesterson, studies in the San Joaquin River in both domestic and public water supply wells.

I am going to let, Phil——

Mr. YATES. Do you draw conclusions from your studies?

Dr. PECK. Yes. One conclusion is, for example, the samples of drinking water supplies showed that both the shallow and the deep ground water for public drinking water supplies were not contaminated and had low levels of selenium. Even the drinking water supplies from domestic wells had a very low content of selenium except, I think, for two wells that were tested.

Mr. YATES. Why is that?

Dr. PECK. It would indicate in the general region of those wells, ground water was not contaminated with selenium.

Mr. YATES. I agree that is the conclusion, but isn't there the same kind of runoff? Are wells protected against runoff?

Dr. PECK. Much of the selenium appears to be in the soil and rather shallow layers. Let me turn to Mr. Cohen to answer that.

Mr. COHEN. Your question, sir, please?

Mr. YATES. The question is why is there a differentiation in quantities of selenium between the wells and the water, in other words, for human consumption and animal consumption? When I say the water, I mean the records.

Mr. COHEN. The ultimate source of selenium, we have some interesting charts which will show you in some greater detail and provide some insights, but the ultimate source of the selenium is the rocks in the mountains bordering the west side of the San Joaquin Valley. This portion of the Westlands water district has been drained and now the drains are being plugged in this area in here. The lined area is the area that had been draining into the Kesterson Reservoir. It was this drain water that had very high concentrations of selenium, in some places on the order of 2,000 micrograms per liter, which for that particular constituent was very high.

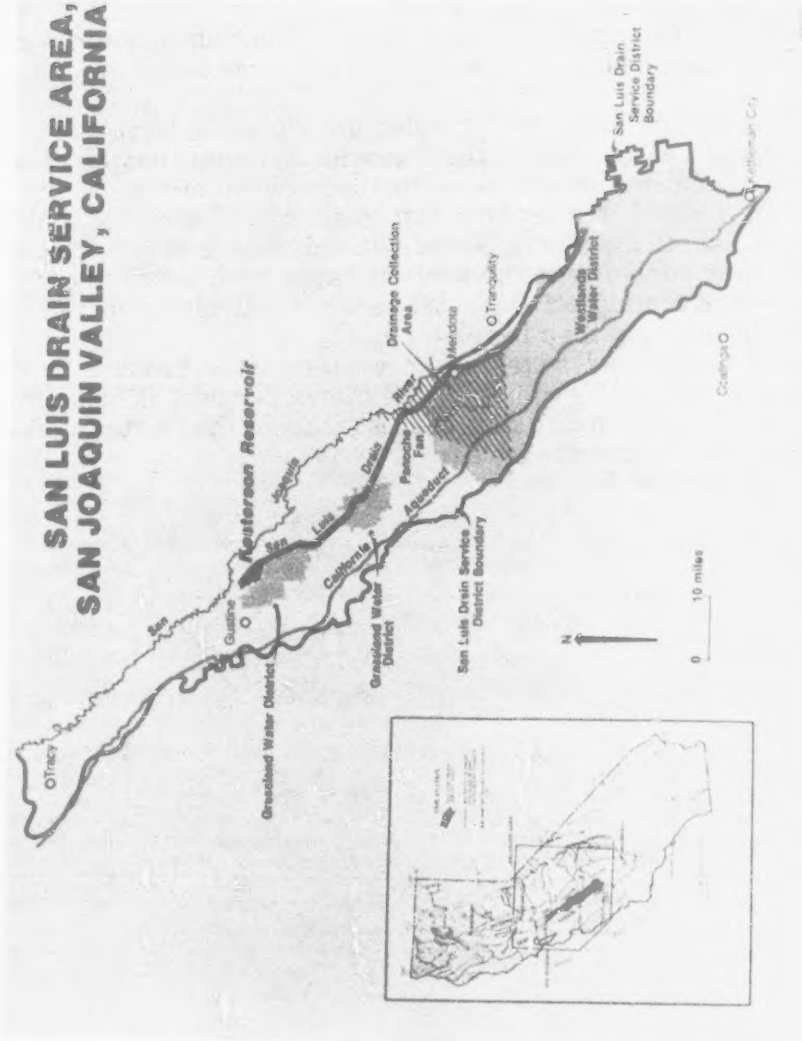
The drains were hooked up about three or four years ago. The drain waters found their way into the Kesterson Reservoir. The generally accepted view as to what happened was that it was biocumulated, as the algae absorbed the selenium, they concentrated the selenium.

The larger animals ate the algae and so on until it got to the point where the ducks were eating fish that had high selenium contents and the ducks began to show signs of toxicity. The source of the selenium—most of the selenium in the reservoir and the reason for the wildlife problems related almost entirely to drainage of this particular area.

Geomorphically, it is referred to as the Panoche fan or an alluvial fan. It is a topographic and geologic feature.

As we will show you later, there is evidence that we have developed recently as part of the study that this is one of several areas that is particularly high in selenium, the ultimate source of the selenium being in the mountains to the west.

[The information follows:]



SAN LUIS DRAIN SERVICE AREA,
SAN JOAQUIN VALLEY, CALIFORNIA

Tracy
San
Joaquin
River
Gustine
Kesterson Reservoir
San
Luis
Drain
Grassland Water District
California
Aqueduct
Grassland Water District
Panoche Fan
Drainage Collection Area
Mendota
Tranquility
Westlands Water District
San Luis Drain Service District Boundary
San Luis Drain Service District Boundary
Coalinga
Kettleman City
N
0
10 miles

Dr. **Peck.** Actually, maybe we could move ahead to the soil map. A picture is worth a thousand words.

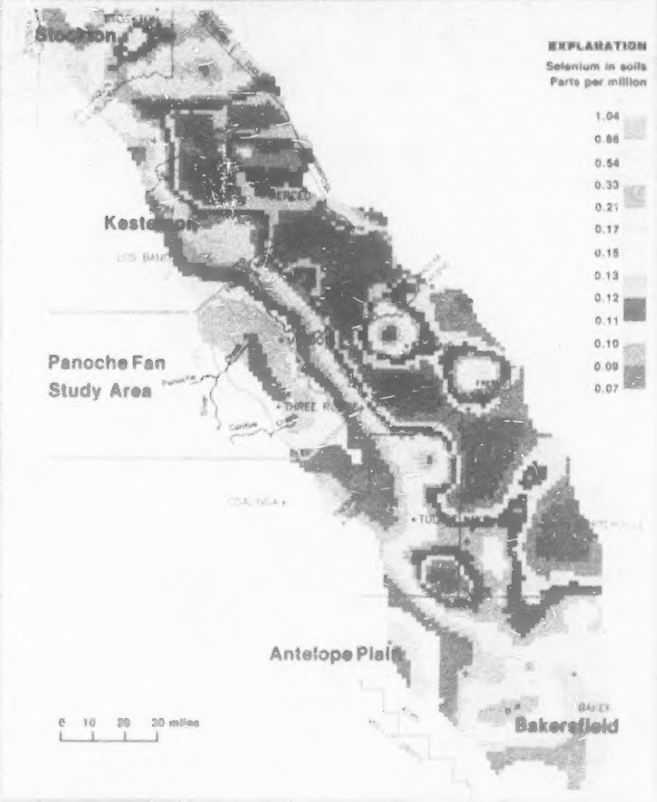
This was a reconnaissance soil map of the San Joaquin Valley where they sampled about one shallow soil sample for every township.

It shows several areas of high selenium along the west side of the San Joaquin Valley. This is the Panoche fan area that Mr. Cohen pointed out and we have a more detailed soil sample a bit later. It makes the point I was making last year, Mr. Chairman, that the water coming off the Sierra Nevada on this side is very low in selenium so they supplement the feed for cattle with selenium, whereas, the water coming off the coast range, particularly in the Panoche fan is, are very high in selenium.

Most of the ground water is not contaminated because most of the water in the valley comes off the Sierra Nevada. It has a much bigger rainfall. Isotopic studies suggest most of that water came off the mountains during the ice age.

[The information follows:]

SELENIUM IN SOILS, SAN JOAQUIN VALLEY, CALIFORNIA


Stockton
EXPLANATION
Selenium in soils
Parts per million
1.04
0.86
0.54
0.33
0.21
0.17
0.15
0.13
0.12
0.11
0.10
0.09
0.07
ERCED
Kesterson
LOS BAN
Panoche Fan
Study Area
Panoche
THREE R
Cantua
COALINGA
TUL
Antelope Plain
0 10 20 30 miles
BAKER
Bakersfield

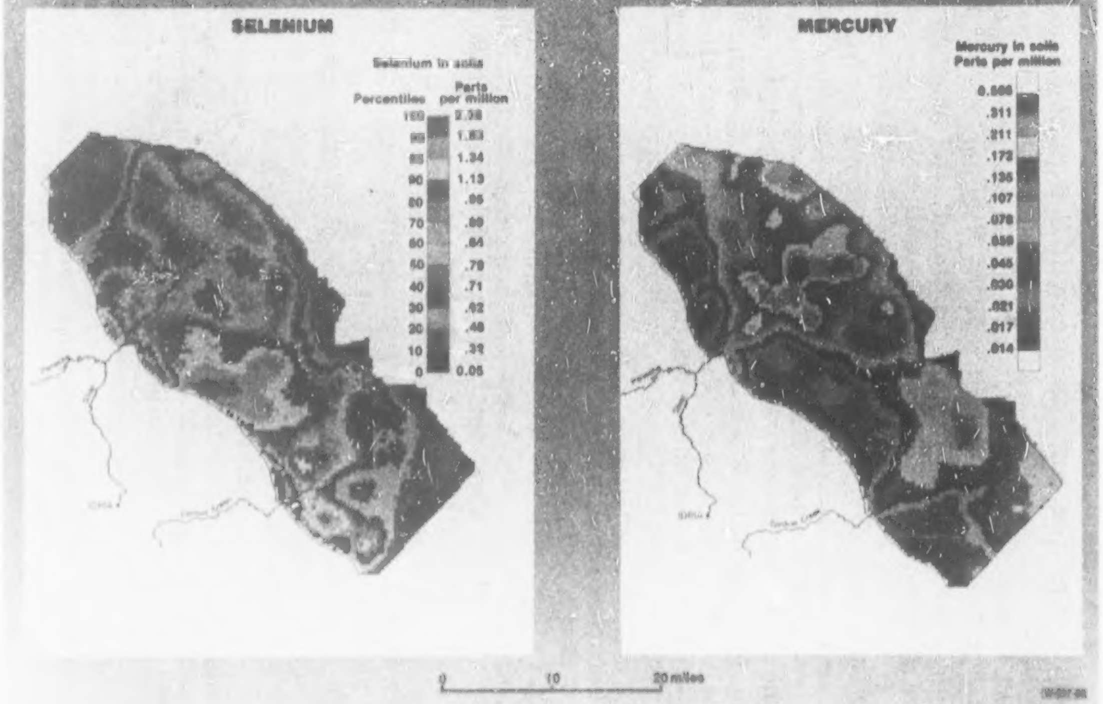
Dr. **Peck**. It shows a high here, a high down toward Bakersfield, but lows in the rest of it. Then a detailed study was made of the soils at a depth of about five or six feet in the Panoche fan area. This shows selenium and mercury, and it shows this high concentration of selenium in the soils at shallow depths in the Panoche fan area.

It shows a very different pattern for mercury. Here is Cantua Creek and the Panoche Creek coming down here. Most of the mercury is concentrated on these two creeks approaching toxic levels and the selenium is concentrated in the fan in-between.

These two creeks drain a very famous old mercury mining area called New Idria, where mercury was mined. Probably other mercury was eroded for many millions of years so that causes the mercury pollution, and it is the Tertiary bedrock outcropping along this ridge in here that causes this pollution.

[The information follows:]

CONCENTRATIONS OF SELENIUM AND MERCURY IN SOILS, PANOCHE FAN STUDY AREA


SELENIUM
Selenium in soils
Percentiles
Parts per million
100 2.38
99 1.83
95 1.34
90 1.13
80 .95
70 .89
60 .84
50 .79
40 .71
30 .62
20 .48
10 .31
0 0.05
MERCURY
Mercury in soils
Parts per million
0.566
.311
.211
.172
.135
.107
.078
.059
.045
.030
.021
.017
.014
0
10
20 miles

REMEDIES FOR KESTERSON

Mr. **Yates**. The question is now that we know that, what do we do with it.

Mr. **Cohen**. There is a lot more to be learned, Mr. Chairman. As you are well aware, the Bureau of Reclamation is contemplating taking some immediate steps to remedy the problem of wild fowl.

Mr. **Yates**. You closed the drains, didn't you?

Mr. **Cohen**. Most of the drains are closed. They have another serious problem that follows thereafter. What do you do with the vegetation and the soils in the Kesterson Reservoir which are now fairly toxic materials? An EIS is being prepared.

The EIS will review the options as to what one can do ranging from putting it in trucks and trucking it to somewhere else, to what is referred to as a class one site, and there are few folks who would like to have this truck in their backyard, to some ways of treating it in-situ. Those are short-term problems mandated by state law and departmental policy.

Then there are the other intermediate and long-range questions as to how one manages the agricultural industry in the San Joaquin Valley, which is a major industry. The extremes range from letting it dry up, which people find very unacceptable, to finding some way of treating this selenium-rich water in some cost effective way and continuing to irrigate.

There are other issues. The question of——

Mr. **Yates**. Is there some cost effective way or is this something you have to discover?

Mr. **Cohen**. There are a number of organizations, consultants, and the University of California, that are now looking at the techniques. I understand that CH_2M Hill Inc. has looked at reverse osmosis and said, yes, you can do it, but it is terribly expensive. Clearly it is not cost effective. The University of California is looking at a technique much like the one that occurred in nature, the use of algae in a controlled environment to absorb the selenium, and thereby, produce essentially selenium-free water to be used for farming.

That is in an experimental mode right now and I don't know what the results will be. But there are other issues that we and others are addressing that also provide insights on how to mange this problem.

As Dr. Peck indicated, we know now that the selenium is not—at least at the surface, is not uniformly distributed up and down the valley. We cannot say with certainty as to what the selenium distribution is at depth and that may well be the answer to your earlier question as to why there is some variability in the selenium content of ground water from place to place.

One has to be very careful about how you interpret the data. The preliminary data looks good. Most of the large public supply wells and most of the large irrigation wells which are tapping water which could be used for public supply show very little or negligible quantities of selenium.

Two or three—it is literally that small; we have sampled or perhaps half a dozen if you look at the entire Central Valley do show high selenium at depth. The conditions at depth might be the cause of high selenium in water from these wells, but we are somewhat suspicious. The nature of the construction of those wells are such that there could be leakage within the well. The evidence we have collected and others, overwhelming evidence, is that deep groundwater sources used for public and municipal supply, are not significantly contaminated.

Our studies and others are directed towards answering fundamental questions such as we have applied irrigation water to this land; we now have a selenium problem, has 95 percent of the selenium leached out? If we do nothing, would it all be gone in five years or if we continue irrigation, will this problem go on for the next 50 years or 100 years?

Those are the scientific questions that we and others are directly addressing our efforts to.

Mr. AuCoin. Have you investigated biotechnology methods and bacteria approaches to removal of the selenium?

Mr. Cohen. The only biotechnology methods I am aware of, Mr. AuCoin, are the algae-related techniques that are being used by the University of California at Davis, but I am not a biologist, and I can't comment beyond that. They may, in fact, have been looking at——

Dr. Peck. I think we are doing a little work on microbial reduction of selenium.

Mr. Cohen. Yes. We are concerned, for example, as to why selenium occurs in various forms in nature. Some are very soluble and some are insoluble. There is more selenium in the eastern soil than there is in the western, but that is not going to cause problems because the climate is different; therefore, the compounds are not soluble.

We need to look at that very carefully, why has the selenium been mobilized. We think we know why. It is an arid zone and you commonly get selenium compounds that are quite soluble in airid zones. Perhaps most of the soluble selenium has been removed and we have field experiments designed to look at just those phenomena.

TOXICITY OF SELENIUM

Mr. Yates. We know that the selenium is a threat to the wildlife in the area. Is it also a threat to human life?

Mr. Cohen. The Environmental Protection Agency has established a limit for human consumption at ten parts per billion or ten micrograms per liter. You may recall you asked the same question last year.

Mr. Yates. It was a good question.

Mr. Cohen. A member of your staff called the National Institute of Health and indicated there seemed to be some suggestion that at some levels it could be carcinogenic. I would simply make a general statement.

Mr. Yates. I remember your answer last year saying to the effect they put selenium into human diets occasionally where there are deficiencies.

Mr. Cohen. Animal diets.

Mr. YATES. Human diets, too. But the question is in greater quantities, though, can it be carcinogenic?

Mr. COHEN. I would have to defer to the National Institutes of Health. I am sure if they say it can, it can.

Mr. YATES. Do you want to defer to Dr. Peck in the meantime?

Dr. PECK. As I recall from last year, they said it was both toxic and at some concentrations it was carcinogenic.

Mr. YATES. Is that level present in this area?

Dr. PECK. In some of the concentrated waters in the drains and in the Kesterson ponds.

Mr. YATES. But they are not for human consumption?

Dr. PECK. That is right.

Mr. COHEN. You asked the question——

Dr. PECK. One thing we found, Mr. Chairman.

Mr. YATES. Staff says it would be if humans consumed it.

Dr. PECK. One thing we found, Mr. Chairman, the concentration of selenium goes up with the salinity. So most of the concentrations are in saline waters that are unfit to drink.

Mr. YATES. Apparently, the water in the area comes from wells and the selenium concentrations come from runoffs in the main from the sides of the mountains, right, which would seem to indicate that the wells are free of it. Is that a logical conclusion?

Dr. PECK. Yes, most of the wells.

Mr. YATES. Do we have to consider that more?

Dr. PECK. I suspect the wells along the west side of the valley up in that fan area probably have selenium in the ground water.

Mr. COHEN. Very, very few of the wells have selenium levels that exceed ten micrograms per liter.

CONTAMINATION STUDIES IN OTHER AREAS

Mr. YATES. What about other possible carcinogenic metals or compounds? We are talking about selenium in the Kesterson area. Do you make studies of this kind of condition in other areas on your own or do you do it on contract or what do you do?

For instance, we have mountains, Mr. AuCoin has mountains in Oregon. There are runoffs from those mountains. Do you know what those runoffs have as far as this is concerned?

Mr. COHEN. For the better part of a 100 years, the Geological Survey has been making studies of ground water quality throughout the United States. Most of the synthetic organic compounds of concern right now didn't exist at that time.

There was little concern about the metals nor was there the laboratory methodology to analyze for most of the metals in low concentrations. So I believe I made the statement when Mr. AuCoin was here when you were absent, there is very, very little information nationwide in anyone's files on these materials. The National Water Quality Assessment Program that we have proposed will have many work components similar to what we are doing in the San Joaquin Valley, and we envision those kinds of activities multiplied by 90.

If the program is ever fully implemented, at that stage, we would be looking at 40 percent of the land area and 80 percent of the water use in a manner similar to that at which we are looking at in the San Joaquin Valley, and that is the program that is designed to develop the information, the data base that you are asking about.

It does not exist. There is no systematic process in place now to make it exist.

NASQAN SAMPLING FOR SELENIUM

Dr. **Peck**. In the meantime, we do have the Nasqan program where we have 500 stations nationwide, and we searched our files for that to see if selenium showed up in the stream water and it showed up in——

Mr. **Yates**. You are all around the Gulf. Is that because of farming?

Mr. **Peck**. The blue spots are less than——

Mr. **Cohen**. That is one to two micrograms per liter or less, and the green is three to five. The orange is six to nine and the red is——

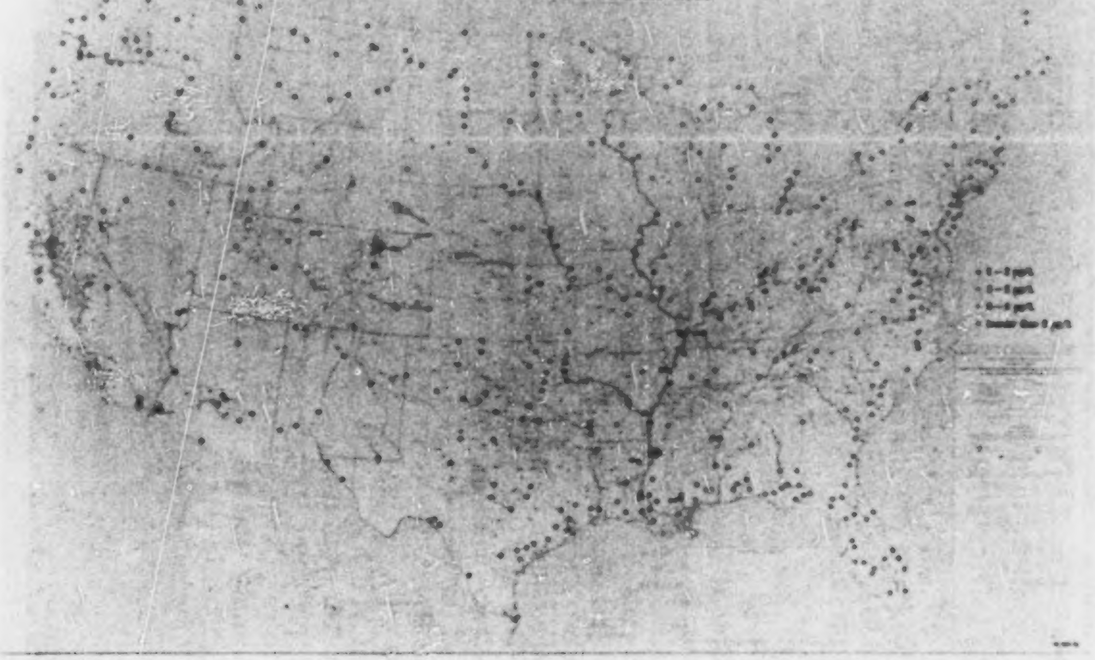
Mr. **Yates**. You don't have any dots in Mr. AuCoin's area. Is that because you don't have water?

Mr. **Cohen**. You only have two dots showing high selenium in the entire United States, but you have to realize what you are looking at. You are looking at the mouths of major rivers. We happen to have two of these stations in the area of interest, one at the mouth of the San Joaquin River and one at the mouth of the Sacramento River. We have long-term data there and we are looking at those data, in particular, selenium concentrations. Despite the fact that you are in the same geographic area, and that you are downstream from Kesterson, the concentrations of selenium that we have determined for the past decade as part of the Nasqan program are very low.

It is simply that you have small amounts of selenium that have been highly diluted.

[The information follows:]

MEDIAN DISSOLVED SELENIUM CONCENTRATIONS AT NASQAN (National Stream Quality Accounting Network) STATIONS
JANUARY 1975—JANUARY 1985



NATIONAL WATER QUALITY ASSESSMENT PROGRAM

Mr. YATES. Mr. Cohen and Dr. Peck, how important is the National Water Quality Assessment Program?

Dr. PECK. It is a very important program.

Mr. YATES. Do you have enough money to carry it out?

Dr. PECK. We are very pleased to have the $2.5 million in the budget this year to start the program and we are requesting a modest increase.

Mr. YATES. How much did you request from the department?

Dr. PECK. I think we asked for $25 million.

Mr. COHEN. Twenty-two million dollars, Dr. Peck. We got $500,000.

Dr. PECK. We got an increase of $500,000 to a level of $3 million over the $2.5 million level that was established by the initiative of Congress.

Mr. YATES. National Water Quality Assessment shows you asked for $25 million of the department and the department gave you $10 million. OMB cut that to $3 million.

Mr. AUCOIN. What do they know about water supply programs that you don't know to cut it so drastically?

Mr. YATES. Why did the department cut it if it is as important as you say it is? Why did they cut it? Should we ask that to Mr. Itteilag?

Dr. PECK. Yes. The Geological Survey tends to be fairly aggressive because we see a number of national needs in a number of areas including water quality. We made a fairly ambitious request.

The department reviewed that in the context of the overall budget and suggested we start off at a somewhat more modest level. By that time, there then followed an interaction between the department and OMB. Last fall, as OMB and the administration were facing up to the deficit problem and the final numbers, that result reflects concern about the overall budget levels, I think, more than any questioning about the validity of the program.

Mr. YATES. How much is this National Water Quality Assessment Program likely to cost in order to complete it?

Mr. COHEN. The program that I described to Mr. AuCoin, if fully implemented, we estimate now would cost on the order of $40 to $60 million per year.

Mr. YATES. Forty million dollars to $60 million per year for how many years?

Mr. COHEN. In perpetuity.

Mr. YATES. Why in perpetuity?

Mr. COHEN. Because the technique is what we believe to be the most cost effective, a technique for answering the question what is the quality now and how has it changed from decade to decade to decade?

Mr. YATES. You will have to have monitoring stations, won't you?

Mr. COHEN. A monitoring system. That is the point I tried to make. There are people who envision a particular well as a monitoring point. We believe a particular well is virtually meaningless unless you put it in the context of a study unit.

Mr. **Yates**. Do you have any different monitoring stations than Dr. Hamilton? Can you combine your monitoring stations with Dr. Hamilton?

Mr. **Cohen**. We do, but the stations that are combined are not the kind that support these kinds of programs.

Mr. **Yates**. You want $25 million a year, or did you say $40 million?

Mr. **Cohen**. I said if the pilot studies demonstrate that this, in fact, is a feasible and useful program and if those that make the decisions deem that this is worthy of funding as opposed to some other program within the context of the present budget situation, then if this were taken to maturity we estimate it would cost between $40 million and $60 million per year.

Mr. **AuCoin**. Dr. Peck, you must have thought $22 million could be wisely spent on this problem.

Dr. **Peck**. Yes, but as we worked through again with the department looking at the program, I really think that it is a good idea when we are contemplating the beginning of a major program with this sort of level of annual expenditures in the future to start off with some pilot studies, to start slower and to refine our approach and our way of passing off the information to our collaborating agencies.

Mr. **AuCoin**. OMB brought you to that conclusion?

Mr. **Yates**. That is right. Why did you ask for $25 million to start then?

Dr. **Peck**. That reflected our thinking at the time as the optimum level and as sort of openers.

Mr. **Yates**. Is $25 million the optimum level?

Dr. **Peck**. I think eventually it will take $40 million to $60 million. Twenty-five million dollars was a proposed starting level.

Mr. **Yates**. Optimum start.

Dr. **Peck**. That was our thinking at the time, Mr. Chairman. I really believe I am all for starting at a pilot level.

ADVANCED CARTOGRAPHY PROGRAM

Mr. **Yates**. What other programs do you have that you consider more important?

Dr. **Peck**. There are several other programs that I consider equally important, Mr. Chairman.

Mr. **Yates**. What besides SLAR?

Dr. **Peck**. Another program for which we requested an increase, the only other program for which we requested an increase this year was the Advanced Cartography Program, and that is for a program to take advantage of the enormous expenditures by the Department of Defense on new computer approaches to making maps.

Mr. **Yates**. Do you get paid for that out of the Department of Defense?

Dr. **Peck**. This is to use their approaches for civilian matters and to do it more efficiently.

NATIONAL WATER QUALITY ASSESSMENT FUNDING REQUEST

Mr. **Yates**. Mr. Itteilag, was it strictly budgetary that cut it back from $25 million to $10 million in your department?

Mr. **Itteilag**. I think, Mr. Chairman, there were several considerations. One was there was uncertainty as to what the 1986 funding level would ultimately be.

Secondly, because this was regarded as a major initiative and worthy of some significant amount of attention by the Secretary an intra-departmental group was formed under the direction of the Under Secretary to look specifically at this issue.

At that point that group had not come to any firm conclusions. So that was a factor, as well.

Mr. **AuCoin**. Conclusions about the merit of the study?

Mr. **Itteilag**. Conclusions, Mr. AuCoin, about how much and how quickly and what you would do with the results once you had them.

Mr. **Yates**. Didn't Mr. Cohen explain that? You didn't know the purpose of the program, what you were to do with the results? I had the impression the results would help define whatever problems the country faces with respect to potable water in the future, the needs for survival actually because you can't live without water.

We are losing our potable water for various reasons, are we not, Dr. Cohen.

Mr. **Cohen**. I think it is fair to say that the waters of the United States are being degraded.

Mr. **Yates**. Are being degraded and that process will continue, will it not, because you are going to have to continue to use chemicals and insecticides.

Dr. **Peck**. I will say when the budget decision was made last fall about the level that we could request for the program for fiscal year 1987, we had not yet established this department commitment. We had not yet gone out to other agencies like EPA to see what the interest was in detail.

Mr. **Yates**. What is the alternative? If we want to know about the condition of our water, what is the alternative to USGS doing this kind of study, something like the Paley Study of 1952?

Dr. **Peck**. I am not aware of any alternative to reach the level of understanding that is the goal of this program.

Mr. **Yates**. Then you think it is important.

Dr. **Peck**. We think it is very important.

Mr. **Yates**. You think it is very important. Then why shouldn't the committee put money into the bill for you? Not for you, but for the country? OMB is sitting over there.

Dr. **Peck**. We were very pleased OMB was approving an increase, of half a million dollars to a level of $3 million.

Mr. **AuCoin**. Is there scientific basis for proceeding on research? Is that what I am hearing from you, from the point of view of the way to conduct scientific research you should begin very, very small and then——

Dr. **Peck**. In part, it is a matter of carrying out a limited number of pilot studies, one to determine better how to carry out the studies; two, to determine better what the needs are by the state and local and other Federal agencies so that we can tailor the program to be more effective in the long run.

Mr. **AuCoin**. You are saying there is a scientific rationale for starting on a modest basis and then expanding in larger amounts, larger investments from there? Is that what you are saying?

Dr. **Peck**. Yes, and for the first three to five years a funding level of somewhat less than $10 million, $3 million or $5 million.

Mr. **AuCoin**. I wonder how OMB then allowed the Star Wars research to increase by 75 percent this last budget submission?

Dr. **Peck**. The administration has different priorities.

Mr. **AuCoin**. No, we are talking about a scientific method, principally, in which we invest scientific research.

Dr. **Peck**. I am not familiar with the scientific problems or rationale of the Star Wars.

Mr. **Frederick**. Mr. Chairman, may I say there are two reasons I think why we believe now that the pilot approach at a modest level is important. One is the technical development.

Mr. **AuCoin**. Wouldn't that apply to Star Wars, too?

Mr. **Frederick**. I should think so.

Mr. **AuCoin**. I will enter your statement into the record in my defense committee.

Mr. **Frederick**. We think it is reasonable to approach it on a pilot basis somewhat less than a full-blown program. The other reason gets back to some of the issues you were raising earlier about the relationship with OMB and that sort of thing.

We feel that it is very important. We agree with the department and feel it is very important to make the linkages which we feel we can do during the pilot project phase with these other agencies. We think, given the three years or so at the pilot level, we will be able to make that case very well.

AVAILABILITY OF OTHER FUNDS FOR WATER ASSESSMENT

Mr. **Yates**. How much money does GS have to conduct this kind of study in other funds?

Dr. **Peck**. Of course, our total water resources program is at a level——

Mr. **Yates**. How much of this study would be paid out of other funds rather than this?

Mr. **Cohen**. Again, Mr. Chairman, I made the point to Congressman AuCoin that this program will build upon virtually our entire base, which not only includes appropriated funds, but includes matching funds from our co-op program and funds from other agencies.

Mr. **Yates**. How much does that amount to?

Mr. **Cohen**. Our entire base of appropriated funds last year was on the order of $140 million and the total level of funding we have from other sources takes the aggregate up to about $250 million.

We are not going to start from scratch and put all new gaging stations in. Many of those gaging stations exist. We are going to augment some of them.

Mr. **Yates**. You are going to conduct the study whether we give you money or not?

Mr. COHEN. No, sir. I am suggesting a substantial amount of the $2.5 million that has been appropriated, the $3 million that is now being requested, will be added to other ongoing activities.

So in our pilot study areas, we have things ongoing right now, and without that base, we would have to ask for a great deal more.

Mr. YATES. What you are saying is it is in the base now. The study will be made on a much more limited basis if you don't get the $3 million.

Mr. COHEN. I would say the study would be impossible unless we augment the base.

Mr. YATES. By how much?

Mr. COHEN. As I indicated to you, for the entire program if one should——

Mr. YATES. What will $3 million buy you?

Mr. COHEN. $3 million will buy us seven to nine pilot studies operating at a level of about three to $400,000 per year.

Mr. YATES. What will $10 million buy you?

Mr. COHEN. I need to elaborate on that point a bit.

Mr. YATES. Okay. Strike my question.

Mr. COHEN. I may have inadvertently misled you. We estimate that even at the pilot scale, to conduct a pilot scale as a prototype of the plan you have asked for would probably cost about $600,000 per year per prototype. That is the model we now have for what the ultimate operational program might look like.

That model undoubtedly will change. We are going to have experiences, we are going to have some successes and some failures and I would not want to guess whether or not the costs would go up or down per study.

The best information that we can plug into our long-term plan suggests that for a surface water study, the cost would be $600,000 per year; for a ground water study, it we would be $800,000 per year per study unit. Roughly 50 percent of those funds will be for laboratory analysis.

It is terribly expensive to simply determine the constituents that you are interested in.

Mr. YATES. I understand from the Fish and Wildlife Service yesterday, you can't even find places to do the analysis. There are only two places they can get their samples done.

Mr. COHEN. I believe they were referring to tissue samples. We have laboratory capacity in-house right now to handle these prototype studies.

Mr. YATES. $600,000 for a prototype study of what kind of water? Not ground water.

Dr. PECK. Surface water.

Mr. YATES. $800,000 for ground water for that kind of study. Is the difference between $3 million and $10 million, does that represent the number of such studies that would be made?

Mr. COHEN. We are looking at just that issue at the present time. We are looking at it in the context of the President's budget.

The President's budget requests $500,000. What would we do if we had an additional $500,000?

Mr. YATES. If it is $500,000, you won't even have enough for one study. Mr. Itteilag wants to supplement what you are saying.

Mr. ITTEILAG. An increase of $500,000.

Mr. **Yates**. An increase, sorry.

Mr. **Cohen**. What would we do with the additional $500,000? We would either start some additional prototype studies at $250,000 or we would take some of the present prototype studies and increase the funding and get that closer to the level that we think would be ideal for a prototype study.

Mr. **AuCoin**. What were you going to do with the $10 million that the department approved?

Mr. **Cohen**. I think——

Dr. **Peck**. It would be somewhat more prototype studies and at a somewhat more intensive level of study, but also analytical techniques.

WATER QUALITY ASSESSMENT FUNDING LEVELS

Mr. **Yates**. I want you to put into the record the breakdown of the $25 million, $10 million and $3 million. Show what you would do with each.

What prompted you at the beginning to ask for $25 million? Apparently, you thought it was pretty important to ask for $25 million. You don't ordinarily ask for $25 million for anything, do you?

Dr. **Peck**. We think it is a very important program, Mr. Chairman. We would be pleased to respond with what we had or what we conceive now as far as those different funding levels.

Mr. **Cohen**. We committed ourselves to providing a plan for the study which is in hand but has gone through several iterations.

Mr. **Yates**. You told me last year you were going to have a terrible time getting a plan in shape.

Mr. **Cohen**. We have gone through several iterations on that plan. We have interacted with people and hopefully made it better and better.

Mr. **Yates**. Now, you have a plan.

Mr. **Cohen**. Yes, sir. We will polish the plan and deliver it to you within a month and it will have the figures you have asked for.

Mr. **Yates**. Let me ask you, were you being conservative in asking for $25 million?

Dr. **Peck**. No, I don't think we were being conservative.

Mr. **Yates**. Wait a minute. I haven't completed my question. Could you have asked for $50 million and still have been conservative for this kind of undertaking?

Dr. **Peck**. Again, I think for this sort of undertaking, starting at less than full-up level makes sense.

Mr. **Yates**. What made you arrive at $25 million? Who determined the $25 million?

Dr. **Peck**. I think that was a proposal from the Chief Hydrologist.

Mr. **Yates**. How did you arrive at $25 million?

Mr. **Cohen**. First, may I make this point? We are dealing with slightly different numbers. The numbers that I have in front of me are $22 million, but we have a slightly different table, but that is not relevant.

Mr. **AuCoin**. You didn't pick that number out of the air, did you?

Mr. **Cohen**. No. No. I made a point a few moments ago that at the present pilot level scale, we do have the present in-house laboratory capacity. There is a step function in developing this program. You recall I indicated that the chemical analysis would be roughly 50 percent of the cost of the program. We estimate—with a great deal of effort, but some degree of uncertainty because we are moving into new ground—we estimate that if the program gets up to a level of about $10 million, we then have reached the point where we must increase our laboratory capabilities.

Mr. **Yates**. Would it help if there were a commission appointed headed by somebody like David Packard to conduct a study?

NATIONAL ACADEMY OF SCIENCES REVIEW

Mr. **Cohen**. You may be interested to know that we did, in fact, bring this plan to a committee of the National Academy of Sciences. They responded with a written letter report to the director. It was rather affirmative.

Mr. **Yates**. Why don't you bring it in and show it to us.

Mr. **Cohen**. We will be glad to submit it for the record.

[The information follows:]

NATIONAL RESEARCH COUNCIL
WATER SCIENCE AND TECHNOLOGY BOARD
2101 Constitution Avenue Washington, D.C. 20418

(202) 334-3422

October 7, 1985

Dr. Dallas Peck, Director
U.S. Geological Survey
12201 Sunrise Valley Drive
Reston, Virginia 22092

Dear Dr. Peck:

I want to thank you and the members of your staff for the detailed and informative discussion of the proposed National Water Quality Assessment Program presented at our meeting on August 22. The Water Science and Technology Board "working group" (comprising Leo Eisel, Richard Engelbrecht, Allen Kneese, Daniel Okun, Wayne Pettyjohn, and myself) believes that the development of a viable water quality assessment program is of great national importance. Such a program would, for the first time, provide a systematic, continuous record of ground- and surface-water quality for the United States. The framework provided by the U.S. Geological Survey for a National Water Quality Assessment Program, while lacking some detail at this preliminary stage, is designed to provide important data and information that are needed to evaluate and carry out national as well as state, regional, and local objectives and to identify needs associated with improving, controlling, and preventing the deterioration of the quality of the nation's waters.

After the presentations by the USGS staff, the working group raised the following questions and issues that might merit further consideration by the USGS in helping to improve the program.

Biological Assessments. While a tentative listing of pollutants and contaminants was provided in the draft proposal, it was noted that little biological information was to be collected. Knowledge derived from a determination of the flora and fauna associated with natural waters is needed to more fully understand short- and long-term changes in the quality of these resources and to provide additional information not available from measurements of the organic and inorganic composition of these waters alone.

While the collection of data on the biological characteristics of natural waters may be somewhat outside the USGS tradition and may not be subject to the same degree of rigor as the other candidate measurements, it is strongly suggested that further consideration be given to including such measurements in the assessment agenda. In this regard, the USGS should make every effort to use the resources of other federal agencies (and others) who already collect such data as could contribute to the data base.

Cooperation with Other Federal and State Agencies. We believe that the USGS is well qualified to conduct a national water quality assessment because of its traditional role and expertise in gathering quantitative data (and to a

The National Research Council is the principal operating agency of the National Academy of Sciences and the National Academy of Engineering to serve government and other organizations. The Water Science and Technology Board is responsible to the National Research Council through the Commission on Engineering and Technical Systems and the Commission on Physical Sciences, Mathematics, and Resources.

somewhat more limited extent, quality data) on water resources, and because of the agency's well-deserved reputation for excellence and detachment in such matters. (For example, the agency has no regulatory or enforcement responsibilities.) Further, in order to carry out existing data collection responsibilities, the USGS has developed excellent cooperative arrangements with each of the states, whereby data and information are freely shared by all parties.

However, in order to carry out the objectives set forth for a national water quality assessment, special efforts will have to be made to enhance and expand the level of cooperation with the states and other federal agencies to insure that the data are reliable (i.e., that their "quality is assured") and to avoid redundancies where possible.

In this regard, we believe it would be beneficial to initiate discussions with relevant federal agencies (such as the U.S. Environmental Protection Agency), water quality management authorities, and state water resource agencies in order to explain this program and the character and quality of the data required to make it viable. It was suggested that some consideration be given to a "matching grant" program to assist the states in their efforts to develop and gather data required for a national water quality assessment. In our meeting with you, the necessity was noted of inventorying and evaluating existing available water quality data from state agencies. While we understand that evaluation of these data has to date indicated that only minimal amounts of suitable data exist from these agencies, we again emphasize our concern that the USGS complete this inventory and be prepared to incorporate those sources of data that do exist, or may exist, in the eventual USGS water quality program.

Ground-Water Quality. The USGS staff and our working group both recognize the difficulties and complexities involved in developing methods that are appropriate for assessing the quality of ground-water resources. It is essential that these technical matters be addressed and that appropriate methods and metrics for measuring ground-water quality be developed. Such measurements are needed to understand and evaluate ground-water quality conditions at both national and local levels. (There are reasons to believe that a viable national ground-water quality assessment would be a costly undertaking. Consideration, therefore, should be given to developing a pilot ground-water quality assessment study in order to evaluate the efficacy of any proposed plan of action.)

Other Issues. The working group noted that the very existence of a data base (and the capability to interpret these data) was likely to involve the USGS in a variety of controversial issues. Such controversies may have the effect of moving the Geological Survey from its traditional role as a dispassionate, objective source of data and information. Care should be taken in organizing the program to preserve this traditional role.

While it was understood that the system required for data collection and interpretation would take some time to develop, the act of establishing a national water quality assessment program may create unrealistic expectations (on the part of officials and others) for immediate outputs from the system. Accordingly, consideration should be given to placing initial priority on collecting surface-water quality data because of the expense in collecting ground-water quality data, the localized nature of ground-water contamination, and the potentially controversial characteristics of ground-water quality data.

Attention was called to the need for this program to identify water resources of the highest quality that could be exploited as future sources of drinking water supplies. Identification of such watersheds would enable communities to become aware of these scarce and precious resources and to take actions to protect them from other development activities that could render them unfit for drinking.

In conclusion, the Working Group believes that there is a great need to establish a National Water Quality Assessment Program and that the USGS is an appropriate federal agency to carry out this effort. The preliminary proposal for the system provides an excellent basis for initiating and developing this program. Our group was impressed with the thoughtful and creative ways by which the USGS had developed strategies to establish an efficient and effective "national" program within the realities of budget restraints.

We were pleased to have the opportunity to discuss the proposed program and look forward to providing assistance in these matters in the future.

Sincerely,

Walter R. Lynn

Walter R. Lynn
Working Group Chairman

cc: P. Cohen

P.S. In November 1984, the Water Science and Technology Board established a colloquium series to focus attention and debate on issues of science, technology, and policy associated with the nation's water resources. The topic of the next colloquium, to be held during the spring of 1986, will concern national water quality assessment. We shall keep you informed of further developments.

Mr. **Cohen**. The National Academy of Sciences' Water Science and Technology Board initiated last year a series of colloquia which will be held annually largely for the board membership; the colloquium topic this year is "National Water Quality Monitoring and Assessment."

Mr. **Yates**. Then why don't we bring that board in here before us?

Do they represent anybody who knows anything about the subject?

Mr. **Cohen**. They probably represent the most esteemed single body of water scientists in the country.

Mr. **Yates**. Okay. Let's arrange to bring them in. What will they do? Support your $3 million appropriation or your $25 million?

Mr. **Cohen**. I would not presume to speculate as to what they might or might not say about funding.

Mr. **Yates**. All right. Let's bring them in. We will have them testify on this. We have so much time under Gramm-Rudman.

Mr. **Cohen**. It may be important for you to know, Mr. Chairman. I know the date of the colloquium.

Mr. **Yates**. What is a colloquium?

Mr. **Cohen**. That is a rather elegant word for a meeting scientists use.

Mr. **Yates**. I have heard "collegium". I have not heard "colloquium".

Mr. **Cohen**. That will be held on the evening of May 21, and the full day on May 22.

Mr. **Yates**. Where?

Mr. **Cohen**. In a hotel in Reston.

Dr. **Peck**. We would be pleased to invite you to the colloquium and to visit the GS, Mr. Chairman.

Mr. **Yates**. How far is Reston?

Mr. **Cohen**. Thirty minutes.

The point is, Mr. Chairman, they could respond based upon a review they made eight months ago.

Mr. **Yates**. What day of the week is the 21st of May?

Mr. **Cohen**. The evening of the 21st is on a Wednesday. The 22nd is a Thursday.

Mr. **Yates**. Why don't they have it on a weekend?

I would love to go but it is a legislative day. Do we have time to have this group come before us? We can make time. We can make an evening available, can't we? Let's have them here on the evening of May 21.

Mr. **Cohen**. They will be in session on the evening of May 21st.

Mr. **Yates**. How about the 20th?

Mr. **Cohen**. I can't speak for them, sir.

OTHER USGS PROGRAMS

Mr. **Yates**. Dr. Peck, you have had a very tough day. I know there is so much here that we should cover.

We haven't gone into cartography and all of your other important programs.

Dr. **Peck**. And mineral resource programs.

Mr. **Yates**. And all the other things that are so important.

We are going to have questions for you and if we can work you in again, we are going to work you in again. We are sorry that the legislative schedule was such we didn't have much time with you today.

There were too many votes that took place and too much argument took place. I am very much interested in water quality, as much interested in water quality as Mr. Regula is in SLAR, so you know how interested I am.

Incidentally, should you be telling us anything before we pack up and go? Do any of your department heads or any of the others think they want to say something of such importance that we ought to put it in the record rather than have it in the form of a written question?

Dr. PECK. Offhand, I don't think so.

Division chiefs, anybody want to volunteer as a last effort in their career?

We would, Mr. Chairman, welcome another opportunity to go into other areas of our program.

Mr. YATES. The questions we have, of course, will be quite comprehensive. I happen to think water quality is something of extreme importance. When I see what happens to Kesterson, I am sure it is happening all over the country. I believe we are in chemical warfare.

The number of cancer cases is going to increase with the food people eat and the water they drink. I can't do anything about the food they eat, but I can try to do something about the water they drink and the air they breathe perhaps. At any rate, you are going to tell staff who to get in touch with from the board.

You think this is of some importance, too, don't you?

Mr. COHEN. Certainly. Yes, sir.

Mr. YATES. Talking to this group?

Mr. COHEN. Yes, sir.

Mr. YATES. All right. Let's set it up. We will be in touch with you.

Thank you very much.

Dr. PECK. Thank you, Mr. Chairman.

[Whereupon, at 3:45 p.m. the subcommittee adjourned subject to the call of the Chair.]

[Questions and answers submitted for the record follow:]

Water Problems

KESTERSON/SAN JOAQUIN VALLEY

Question: Please review for the Committee the extent of your activities in the Kesterson/San Joaquin Valley area with regard to water contamination.

-- What areas are you sampling to test for contamination?

Answer: The Geological Survey hydrologic activities are generally confined to the 1.2 million acres that comprise the San Luis Drain service area on the west side of the San Joaquin Valley. Some sampling has, however, been performed in the Tulare area, in the southern part of the Valley.

The Geological Survey also has investigated the geochemistry of soils in the San Luis Drain service area in western Fresno County; drainage from this area is collected in the Kesterson reservoir. In addition, we investigated the element distribution in soils for the whole San Joaquin Valley with the objective of determining potential source areas for selenium and other potentially toxic elements. We have completed geochemical distribution maps for selenium, mercury, and other potentially toxic elements.

Question: Have you found other areas in the Valley, outside of Kesterson reservoir, in which selenium or other contaminants are a problem?

Answer: In aggregate, the water analyses show that the highest concentrations of selenium occur in field drains, and that the lowest concentrations of selenium in shallow ground water are observed along the valley axis and in the northern part of the San Luis Drain service area. Analysis of deeper ground water showed generally low selenium concentrations. Elevated selenium concentrations have been found in soils in the Panoche-Cantua Creek fan area (the San Luis Drain service area, western Fresno County, California), the Antelope Hills area (western Kern County, California), and Maricopa Flat (the southern end of the San Joaquin Valley).

Question: Have you determined that certain areas or aquifers are free of contamination?

Answer: The lowest concentrations of selenium in shallow ground water occur along the valley axis, particularly in the northernmost part of the service area, and in the deeper aquifers. In these areas, selenium concentrations are generally below the Environmental Protection Agency drinking-water standard of 10 micrograms per liter.

With regard to selenium in soils, our studies indicate that the eastern side of the San Joaquin Valley, where sediments derived from the Sierra Nevada range predominate, is apparently free of a naturally occurring selenium source.

Question: Do you now have a complete sampling network set up?

Answer: Many of the wells in the service area have been visited and inventoried by Geological Survey personnel, and they comprise a set of potential sampling sites from which a network could be developed. The Geological Survey strategy, however, has been to sample wells on a synoptic basis, thereby providing information on the areal distribution of selenium in ground water; our objective has not been to establish a permanent sampling network.

With regard to soil sampling and analysis, the Geological Survey completed broad-scale coverage of soils for the San Joaquin Valley and detailed coverage for most of the San Luis Drain service area.

Question: Are there other agencies also taking samples?

Answer: Yes; in particular, the Bureau of Reclamation has collected and analyzed many water samples for selenium and other constituents. In addition, the U.S. Fish and Wildlife Service, the California State Water Resources Control Board, the State Department of Water Resources, and several universities also collect samples for selenium and other constituent analyses.

The University of California (Davis) plans to collect soil samples along a series of transects in selected side valleys that border the San Joaquin Valley on the west side, from Coalinga south to the southern end of the San Joaquin Valley.

Question: Is funding sufficient to provide the needed sampling?

Answer: Funding levels are considered adequate for the programs of the Geological Survey now underway.

Question: How much does the sampling cost?

Answer: Sampling costs involve two components: (1) the cost associated with physically gathering the water or soil sample in the field in accordance with approved methods and controls; and (2) the cost of the various analyses performed on these samples in the laboratory. The average cost of gathering water samples in the field ranges from $100 to $350 per sample. Laboratory costs for water-quality analyses range from $300 to $1,000 per sample, depending on the number and complexity of the analytical procedures used. About $900,000 is budgeted in fiscal year 1986 to support the collection and analysis of water samples by the Geological Survey. The unit costs associated with the conduct of soil samples vary, depending on the scope of the study and the number of samples and constituents to be analyzed. Field costs for gathering shallow soil samples average approximately $100 to $350 per sample. The cost of laboratory analyses and data interpretation for soil surveys of this scale range between $600 and $800 per sample. About $180,000 has been budgeted in fiscal year 1986 to support the collection, analysis, and interpretation of soil samples by the Geological Survey.

Question: When the program was initiated the turnaround time for samples appeared to be a problem.

-- What is the typical turnaround time?

Answer: Whatever turnaround problems may have existed during the early stages of the program have been resolved. The current analytic workload is handled on a routine basis with few, if any, delays. When necessary, priority water-quality analyses can be made in 4 to 15 days after collection in the field. With highest priority, soil samples can be analyzed in 6 weeks.

Question: How many laboratories are involved in analyzing samples?

Answer: The principal laboratories for the analysis of water samples are the Geological Survey laboratory in Denver, Colorado, and the Bureau of Reclamation laboratory in Sacramento, California. In addition, work is also performed in laboratories of various State agencies, and by the Fish and Wildlife Service. Analysis of soil samples is conducted by the Geological Survey geochemistry laboratory in Denver, Colorado.

Question: Has laboratory capacity limited your program in any way?

Answer: Laboratory capacity has not been a limiting factor. It is important to realize that many other Geological Survey programs rely on analytical support from these laboratory facilities. The priority assigned to support for activities in the Central Valley has assured that samples requiring laboratory analysis receive adequate and timely attention.

Question: Is the laboratory capacity sufficient to handle all samples now?

Answer: Yes. The Geological Survey laboratories which perform the bulk of the analytic work for both water and soil samples have sufficient capacity to handle the current workload and that anticipated for fiscal year 1987.

Question: You also have been studying the mechanisms of selenium concentration and migration in the Valley.

-- Do you have any confirmation yet of the rates and methods of selenium movement?

Answer: Evidence from the first stages of the studies tends to confirm the hypothesis that the distribution and concentration of selenium has developed over geologic time scales. Accordingly, the rate of movement of selenium on a regional scale is exceedingly slow.

Question: Have you been able to develop models of selenium behavior in the area?

Answer: On the basis of preliminary evidence, it appears that selenium (selinate) can be modeled as a conservative salt. Model studies of selenium transport in the San Joaquin River have yielded results that are consistent with that assumption, but equivalent studies of selenium in ground water depend on detailed knowledge of local hydraulics. Field studies now in progress are addressing this issue.

Question: Do you have any evidence that the selenium problem will be lessened over time?

Answer: Limited field studies have indicated that drainage from older irrigated fields tends to contain smaller amounts of selenium than drain water from younger fields. Therefore, there is some preliminary evidence that selenium concentrations in drain water tend to diminish over time, but at present we are not certain of the time required to reach equilibrium.

Question: What is the overall scope of your studies and how long will you be undertaking them?

Answer: The Geological Survey studies have four principal components: (1) to identify the geologic sources of selenium; (2) to document the occurrence and mobility of selenium and other trace elements in soils and ground water; (3) to develop understanding of the ground-water flow system and the transport of selenium and other trace elements; and (4) to ascertain the impacts on surface water that receives agricultural drainage. The studies conducted under this investigative program will take from 3 to 5 years.

Question: Do you have sufficient funds to carry them out?

Answer: Available funds are adequate.

Question: Has your work provided any information that will be useful in arriving at solutions to the selenium problems in the Valley?

Answer: The Geological Survey program, which is part of the intergovernmental San Joaquin Valley Drainage Program, is developing information on the hydrology of the ground- and surface-water systems that will be essential to any forthcoming solutions of the agricultural drainage problems. We have also identified potential source areas and soils that contain high values of selenium. The drainage from these areas could create problems, depending upon agricultural, irrigation, treatment, or disposal practices.

Question: Is desalination a viable alternative for processing agricultural drainwater in the valley?

-- What are its advantages or disadvantages?

Answer: This is an engineering problem and is beyond the scope of Geological Survey activity. We understand that a consultant's report to the Bureau of Reclamation indicates that the cost of desalination by reverse osmosis, which is one of several possible desalination techniques, would be in the range of about $1,200 per acre-foot of treated water. It appears to be technologically feasible, but prohibitively costly methodology. The disadvantages include cost and problems associated with disposal of a highly concentrated brine by-product.

Question: Lawrence Berkeley Laboratory has been studying methods of purifying drainwater by organic ponds.

-- Have you reviewed this work?

Answer: We are aware of this work, and have reviewed the draft Environmental Impact Statement, but have performed no intensive review.

Question: Is this a viable method of cleaning up the drainwater?

Answer: We have not made a sufficient review to offer comment on the viability of this method of treating the drainwater.

Question: What are its advantages or disadvantages?

Answer: As indicated, we are not in a position to respond to this question.

Question: Are there any other methods of processing the drainage water to purify it?

Answer: There may be many, including chemical, biological, and physical techniques, but their applicability to a problem of this scale remains to be demonstrated.

Question: Is there any evidence that pollution from the Valley is affecting San Francisco Bay?

Answer: To our knowledge, there is no direct evidence that pollution from the San Joaquin Valley affects the Bay, although there have been reports of unusual selenium concentrations in some Bay wildfowl. The selenium concentration of discharge from the San Joaquin River to the Bay, however, generally ranges from less than 1 microgram per liter to 2 micrograms per liter, considerably less than the drinking-water standard of 10 micrograms per liter. There is some evidence that soils (and perhaps sediments) in the Delta area may act as a sink for selenium derived from the San Joaquin Valley.

Question: What effect does water use in the Valley have on the

Bay?

Answer: The principal effect is the diversion of fresh water which, under natural conditions, flowed to the San Francisco Bay.

Question: What is the cost of your overall program in the Valley for 1986 and 1987?

Answer: The total costs of Geological Survey activity in the San Joaquin Valley for fiscal year 1986 are $3.32 million, and for fiscal year 1987 costs are estimated at $4.02 million.

Question: How much is included in your budget and how much is included in the Bureau of Reclamation?

Answer: Funding sources in fiscal year 1986 for Geological Survey activities in the San Joaquin Valley are as follows:

	FY 1986
U.S. Geological Survey	$ 540,000
Bureau of Reclamation	$2,780,000
Total funds available to USGS	$3,320,000

As of April 30, 1986, both the Bureau of Reclamation and the Geological Survey have agreed on the amount of funds to be transferred to the Geological Survey for fiscal year 1986 activities. These funds will be made available shortly. Funding estimates for fiscal year 1987 are presently under review and are contingent on final fiscal year 1987 appropriations for both the Geological Survey and the Bureau of Reclamation.

OVERALL IRRIGATION DRAINAGE PROBLEMS

Question: Please explain to the Committee how areas that need further study for irrigation contamination were chosen.

Answer: In December 1985, the Department of the Interior (DOI) released to the public its Irrigation Drainage Program Management Strategy. The purpose of the program is to identify and address irrigation-induced water-quality problems that involve DOI responsibilities. As a first priority, the DOI is committed to identifying the extent of present or potential concerns related to irrigation drainage quality in three specific situations:

1. Project irrigation or drainage facilities constructed or managed by DOI;

2. National Wildlife refuges managed by DOI; and

3. Other migratory bird or endangered species management areas that receive water from Department-funded projects.

The DOI has many areas to consider in developing its irrigation drainage effort. As a first step in prioritizing areas for further study, a list was compiled consisting of:

1. Class A and B areas identified in the report: "Preliminary Evaluation of Selenium Concentrations in Ground and Surface Water, Soils, Sediment, and Biota from Selected Areas in the Western United States," prepared by the Departmental Task Group on Irrigation Drainage. Class A areas were defined as areas where existing information indicates reason for concern and the need for further analysis of associated impacts. Class B areas were defined as areas where there is some information to justify concern, but the information is inadequate to justify classification into Class A.

2. National wildlife refuges where irrigation drainwater has been identified as a contamination issue of concern from the report: "Contaminant Issues of Concern, National Wildlife Refuges," prepared by the U.S. Fish and Wildlife Service.

3. Other areas identified by field offices of DOI bureaus, where there is information to suggest that irrigation drainage water may have a potentially harmful effect on human health or fish and wildlife.

Based upon the above information, 19 areas in the West were selected for study. These areas were chosen where high concentrations of potentially toxic trace elements or pesticides are known or suspected to be present in soils, water, or biota. The 19 sites were further ranked as high, medium, or low. Nine sites were given a high ranking and are scheduled for field studies starting in 1986.

Question: You apparently have the lead in drafting field study plans.
— When will they be completed?

Answer: The Geological Survey does have the lead in drafting field study plans. Plans for field screening studies for nine high-priority areas will be completed by May 15, 1986. These studies will begin immediately. Plans for 10 additional areas will be completed by the end of this fiscal year. These studies, however, will not be started until fiscal year 1988 to avoid exceeding manpower and laboratory capability.

Question: How is it planned to finance these studies?

Answer: Estimated costs for the initial nine field screening studies are about $1.2 million in fiscal year 1986 and $700,000 in fiscal year 1987 to complete the initial nine. Current plans are for these costs to be absorbed by the Bureau of Indian Affairs, Bureau of Reclamation, Fish and Wildlife Service, Bureau of Land

Management, and Geological Survey from within existing appropriations.

Question: How long will it take to ascertain whether other serious problems, such as Kesterson, exist?

Answer: The nine areas under study represent the most likely candidates for other serious problems, if such problems do, in fact, exist. These nine field screening studies are presently planned to be completed within two years and will determine whether irrigation drainage waters have caused or have significant potential to cause harmful effects on human health or fish and wildlife.

NATIONAL WATER-QUALITY ASSESSMENT PROGRAM

Question: How much funding in your Water Resources Division is allocated to water quality work in fiscal year 1985, fiscal year 1986, and fiscal year 1987?

Answer: The Geological Survey water resources program supports the conduct of a broad range of research, investigations, and the collection of hydrologic data upon which the water-quality investigations are based. Information defining water availability and flow is fundamental to any inquiry regarding water quality--water-quality conditions are inexorably linked to the physical characteristics of the hydrologic system. The flow regime controls the manner by which hydrologic systems store, transport, dilute, and concentrate contaminants. Complicating these processes is the fact that surface- and ground-water flow regimes are dynamic and exhibit different characteristics as a function of both time and space. Any attempt to assess water-quality conditions thus requires a thorough understanding of the governing physical parameters of the hydrologic system. The extensive surface- and ground-water data networks operated by the Geological Survey in conjunction with its cooperators provide a comprehensive, nationwide understanding of the quantitative aspects of the resource. In addition, research and investigative programs, such as the Regional Aquifer-System Analysis Program, provide an essential understanding of complex ground-water systems--understanding these flow systems is vital in any effort to appraise their susceptibility to contamination. Fundamental, process-oriented research such as that conducted in the Toxic Substances Hydrology Program, Core Program Hydrologic Research, and Nuclear Waste Hydrology Program provide insights into how various surface- and ground-water systems respond to classes of potential contaminants. The analytical methods and tools developed by these research programs find application and enable advancement in water-quality assessment efforts. Thus, there exists a clear relationship between all of the various activities undertaken in the entire Geological Survey Water Resources Program and the ability to perform investigations in the area of water quality. For certain of these programs, water quality is the most prominent focus. These programs include the following:.

	(Millions of Dollars)		
	FY 1985	FY 1986 as Amended by Gramm/Rudman	FY 1987 President's Budget
o National Stream Quality Accounting and Hydrologic Benchmark Networks	$ 4.0	$ 4.3	$ 4.3
o Toxic Substances Hydrology	11.0	11.2	11.8
o Nuclear Waste Hydrology	7.5	7.0	3.3
o Acid Rain	3.2	3.0	3.3
o National Water-Quality Assessment Program	--	2.4	3.0
o About 3/4 of the investigations conducted within the Federal/State Cooperative Program which address water-quality concerns as either a primary or secondary objective	16.3	15.7	15.7
o Cooperative Coal Hydrology	4.4	4.1	4.4
SUBTOTAL	$ 46.4	$ 47.7	$ 45.4
o Remainder of the USGS Water Resources Program providing a foundation for the investigation of water-quality issues	$ 86.4	$ 87.1	$ 79.3
TOTAL	$132.8	$134.8	$124.7

WATER-QUALITY DATA COLLECTION -- PILOT SURVEYS, COLORADO/OHIO

Question: Last year you testified (p. 416) that you were conducting a pilot study of the water quality data available in two states, Ohio and Colorado.

Have you been able to make an assessment of the data currently available?

Answer: The Geological Survey has completed the initial phase of two studies in Colorado and Ohio to inventory and evaluate surface- and ground-water quality data. Our findings indicate that about $120 million was spent in 1984 alone by the Federal and State governments and the private sector to gather and analyze water-quality data in these two States. About three-fourths of this expenditure was associated with the gathering of information required for compliance with the Environmental Protection Agency permitting of point sources of potential pollutants. The remaining expenditures were for the collection of information of a more general nature for use in characterizing a variety of water-quality conditions. Our investigations were not intended to examine the utility of existing data in terms of satisfying the purposes for which they were originally gathered, but rather to appraise the potential utility of this existing data base for use in the conduct of a regional and national water-quality assessment. Our investigations have concluded that a relatively small percentage of these data is potentially useful in the conduct of a scientifically-based assessment of water-quality conditions. The limitations of existing data for these purposes include: (1) their preponderant focus on traditional constituents and point sources, to the exclusion of organics, trace metals, and non-point sources; (2) some access problems because of proprietary concerns; (3) the unavailability of computerized records; and (4) the absence of information with which to properly examine quality-assurance and data-collection protocols. Based on these two studies, we estimate that annual water-quality data-collection costs for the entire United States may currently approach $2.5 billion.

The second phase of these pilot studies involves evaluating the quality-assurance procedures used in collecting and analyzing samples for the data that meet Phase I criteria. The final phase will involve evaluating the applicability of these qualifying data bases to address water-quality questions of regional and national scope.

Question: Last year you said (p. 525) that the pilot study would be done by April 1, 1986. This year's justification (p. 179) shows pilot studies through fiscal year 1987.

-- Are these the same studies or are you expanding them?

Answer: The studies have been slightly modified as we gained additional knowledge and insight and as additional questions were raised. However, the original scope, objectives, and approach are largely the same. We underestimated the time needed to complete all phases of the pilot studies. Current plans call for completion of all data analyses and interpretations associated with the studies by the end of fiscal year 1986, with a report summarizing the results of the third and final phase of the study to be published in fiscal year 1987.

Question: If the data are useful, do you know how much a nationwide survey would cost?

Answer: The cost to complete all three phases of the pilot water-quality studies of the data in Colorado and Ohio will be about $1 million. The cost to conduct similar studies in the remaining 48 States could be in excess of $20 million and is difficult to justify. Although the results from these studies represent but a small sampling of the water-quality data-collection programs nationwide, it appears that the amount of water-quality data available and applicable for regional and national water-quality assessments is small. Nevertheless, much has been learned from the two pilot studies about how to inventory and evaluate water-quality data-

7collection programs. This information will be very useful to Geological Survey and other water-quality assessment activities, and the process of inventorying and evaluating existing water-quality data would be an integral part of all surface- and ground-water study units in a National Water-Quality Assessment Program.

EPA/USGS MEMORANDUM OF UNDERSTANDING

Question: Last year (p. 407) you also testified that you were close to having a Memorandum of Understanding with EPA on water quality programs.

-- What is the status of that agreement?

Answer: A Memorandum of Understanding (MOU) between the Environmental Protection Agency (EPA) and the Department of the Interior (DOI) was signed on June 21, 1985. The purpose of the MOU is to formalize cooperation and document agreements between the EPA and DOI in the area of ground-water quality.

Question: What does it, or would it, cover?

Answer: The Memorandum of Understanding consists of two parts. Part I pertains to the water-quality activities of EPA and the Geological Survey, and calls for increased coordination between the two agencies of certain activities, including research, data collection, and technical assistance related to ground-water quality protection. Part II pertains to interaction between EPA and DOI relating to activities authorized by the High Plains States Ground Water Recharge Demonstration Program Act of 1983 (P.L. 98-434).

NATIONAL WATER-QUALITY ASSESSMENT PROGRAM

Question: How important is the work in developing sampling and analytical techniques for organic pollutants? (p. 210)

-- In an ongoing, full-scale program what kind of level of effort would be involved?
-- How much are you devoting to it in fiscal year 1986 and fiscal year 1987?

Answer: The development of new and improved sampling and analytical techniques for organic pollutants is important for a national assessment, and is one of the objectives of the Toxic Substances Hydrology program and many other water-quality studies that are involved in efforts to improve the ability to detect, identify, and quantify organic substances present in water, sediment, and biota at trace levels. For example, presently available techniques for extracting organic substances from solids are inefficient. This means that many water-resource organizations may be underestimating the numbers and concentrations of potentially toxic substances associated with suspended and bottom sediments in surface waters and associated aquifer materials. In addition, presently available technology limits our capability to rapidly and inexpensively screen water and sediment for the presence of organic substances. For example, we must improve our ability to lower the limits of detection for a wide range of organic substances in water, sediment, and biota because many organic compounds are potentially toxic at extremely low levels. Finally, we must work towards detecting and quantifying a wider variety of compounds in water, sediment, and biota. The presently available methodologies probably can only detect about one-third of the manmade organic chemicals that might be present in water.

Methods development/methods adaptation is an important component of all scientific studies. Many Federal, State, and local agencies, as well as universities, are working on the development of sampling and analytical techniques for organic compounds. In the Geological Survey, much of the methods development work for organic substances is being done under the Toxic Substances Hydrology and other research programs. Methods development/methods adaptation for organic compounds would be an important component in a national water-quality assessment. In a full-scale national water-quality assessment program, we estimate that about $2.0 million might be devoted to support the development/adaptation of sampling and analytical techniques for organic pollutants.

In fiscal year 1986 and fiscal year 1987, the pilot effort contributes about $150,000 for development/adaptation of sampling and and analytical techniques for organic substances in water and sediment. In addition to this amount, the Toxic Substances Hydrology program is providing about $250,000 for methods development for the detection, identification, and quantification of trace organic substances.

DATA COLLECTION AND ANALYSIS

Question: In fiscal year 1987, you are reducing data collection activities in the Federal program by over 10% ($2,149,000) (p. 175) as well as decreasing the number of sites in the State cooperative program (p. 218). You are also decreasing the sample frequency in the Federal program. This is in the face of a statement last year (p. 521) that there were insufficient stations collecting this information and the frequency was too low.

How do these actions affect your ability to conduct a National Water Quality Assessment?

Answer: The number of hydrologic data-collection stations to be discontinued in fiscal year 1987 due to budgetary constraints is provided as follows:

Type of Station	Number of Stations to be Shut Down in FY 1987 Supported under Federal Program	Supported Under Federal/State Cooperative Program
Surface Water (Continuous record of stream discharge)	60	120
Ground Water (Continuous record of water levels)	--	200
Ground Water (Periodic long-term record of water levels to determine trends)	100	350
Ground Water Quality (Periodic long-term record to determine trends)	--	150

The closure of the stations will detract to some extent from the general body of hydrologic information available for water-resource management and evaluation purposes. The locations of stations to be closed will be chosen with an awareness of the requirements for data on water quantity to support the pilot-scale National Water-Quality Assessment Program.

The Geological Survey is presently reviewing the National Stream Quality Accounting Network (NASQAN) and Hydrologic Benchmark Network of data-collection stations to determine: (1) alternative means of meeting objectives of these networks, and (2) the relation between these networks and a full scale national water-quality assessment program. There are significant differences between the objectives of the National Water-Quality Assessment Program and the objectives of the NASQAN and Benchmark networks. NASQAN was designed to meet an accounting objective: that is, water-quality sampling stations were located so that the quality of most of the water leaving each hydrologic accounting unit in the Nation could be periodically monitored. This strategy, while useful for obtaining baseline water-quality information, has made it difficult to relate changes in water quality to human factors. The Hydrologic Benchmark network was designed to define natural water quality of streams in small drainage basins for areas that are virtually unaffected by human activity. Both the NASQAN and Hydrologic Benchmark networks rely on fixed-station, fixed-frequency sampling to accomplish their objectives. In contrast, the objectives of the surface water part of a national water-quality assessment program are to: (1) describe, in detail, the water-quality conditions in river basins; (2) define the nature, extent, and severity of toxic contamination; (3) relate water-quality conditions and observed contamination to land use, pollutant discharges, and other factors; and (4) define the cause and effects of water-quality degradation or contamination in selected river reaches. Thus, a national water-quality assessment program could provide for a more complete picture of surface-water quality than NASQAN and the Hydrologic Benchmark network. The approach for obtaining this picture includes a mixture of fixed-station data collection, synoptic surveys, and intensive river reach studies.

Question: How much funding would be necessary to return the number of stations and sample frequencies to fiscal year 1986 enacted appropriation levels for both the national and State programs?

Answer: In fiscal year 1987, of the $2,149,000 reduction in "Data Collection and Analysis, Federal Program," $883,000 is associated with discontinuance of data-collection stations and sampling frequency for purposes of gathering information on both water quantity and quality.

Of the $2,236,000 reduction in "Data Collection and Analysis, Federal/State Cooperative Program," $836,000 is associated with the collection of basic hydrologic information.

Question: For the record, provide the number of stations and collection frequency for the fiscal year 1986 enacted appropriation, the reduced fiscal year 1986 appropriation, and the fiscal year 1987 request for the National (NASQAN and Benchmark) programs.

Answer: Information on the number of stations and frequency of collection for water-quality sampling is provided as follows:

	Frequency of collection for water-quality sampling		
	FY 1986 Enacted Approp.	FY 1986 Sequestration Level	FY 1987[a] Estimate
NATIONAL STREAM QUALITY ACCOUNTING NETWORK			
- Monthly sampling	1	1	1
- Bi-monthly sampling	266	266	350
- Quarterly sampling	228	228	50
Total Number of Stations	495	495	401
HYDROLOGIC BENCHMARK STATIONS			
- Monthly sampling	2	2	2
- Bi-monthly sampling	10	10	10
- Quarterly sampling	44	44	44
Total Number of Stations (59)[b]	56	56	56

[a] Reflects plans to amend NASQAN/Benchmark programs.

[b] Water-quality samples are collected at 56 of the 59 surface-water measurement Hydrologic Benchmark Stations.

Based on the ongoing re-evaluation of the National Stream Quality Accounting Network (NASQAN), it has been determined most advisable to accommodate the reduction in fiscal year 1986 funding for NASQAN by reducing the frequency of laboratory analyses for metals (three samples per year versus four) and radiochemicals (one sample per year versus two).

In fiscal year 1986, an evaluation of NASQAN is being made to determine future changes in locations of stations, sampling frequency, and parameters measured to more fully support the new National Water-Quality Assessment Program. Some of these NASQAN stations will constitute the "core" stations in the National Water-Quality Assessment Program.

Question: For a full-scale National Assessment, would more stations and more frequent sampling be necessary?

Answer: Yes, a full-scale National Water-Quality Assessment Program would involve additional sampling (at more sites, for more constituents, and with greater frequency) for both surface and ground water than presently conducted as part of the Geological Survey water resources program.

National Water Programs

NATIONAL WATER DATA AND INFORMATION ACCESS PROGRAM

Question: In your National Water Data and Information Access program, work to integrate the files to assist users is being deferred (p. 178).

— Doesn't this integration provide more access and more efficient use of the data?

Answer: The integration of the National Water Data Exchange (NAWDEX) files with other Geological Survey files will make the existing and available Geological Survey water data more readily accessible to the user by:

1. reducing the time lag in indexing;
2. increasing the amount of sites and water data indexed; and
3. reducing the amount of manual work required to retrieve data.

REGIONAL AQUIFER SYSTEM ANALYSIS

Question: Of what value have the Regional Aquifer studies been?

Answer: The objective of the Regional Aquifer-System Analysis (RASA) program is to evaluate the availability and general chemical quality of ground water in regional aquifers and to understand the ground-water flow systems, including the recharge-discharge characteristics of the aquifers and the hydrogeologic and geochemical controls that govern the response of the aquifer systems to stress, thus providing the essential information and criteria required for development and management of water supplies.

For several decades, ground-water investigations both within and outside the Geological Survey were conducted largely on a local scale within county or State boundaries. In evaluating the effects of development on ground-water resources on the basis of such local investigations, questions have often arisen regarding the extent of the development effects beyond a study area, and the correct way to represent conditions along the boundaries of a study area. Moreover, hydrologists beginning local ground-water investigations often find little or no background information on the regional hydrogeology or water chemistry, and thus have to begin their studies from a base of very little knowlege. These facts underscored the need for broad regional evaluations of the Nation's ground-water resources.

The RASA studies compile, synthesize, and interpret new and existing information to develop a quantitative understanding of the major aquifer systems in the Nation and to provide information to Federal, State, and local agencies for use in managing the ground-water resource. Information is also assembled on the quality of water throughout each aquifer system, by bringing together all existing information and collection of such field data, as required, to fill the gaps.

More than 300 reports, hydrologic investigations atlases, and scientific journal articles have been published under this program, of which the most recent publication is "Regional Aquifer-Systems Analysis Program of the United States, Summary of Projects, 1978-1984." Thus, the information derived from the RASA program is available to be used to provide for the orderly development, proper use, and conservation of the Nation's ground-water resources. The ability to understand the ground-water system and to evaluate the impacts of ground-water development is essential to water-resources managers.

Some examples of applications of the information derived from the RASA program are as follows:

- Applied Physics Laboratory, Johns Hopkins University, used the water-quality analyses and aquifer hyraulic properties developed under the Atlantic Coastal Plain RASA study to help evaluate the use of ground water for low-temperature geothermal energy in the northern Atlantic Coastal Plain.

- Arizona Department of Water Resources used the Upper San Pedro River basin ground-water flow model developed under the Southwest Alluvial Basins RASA study to evaluate pumping scenarios and impact on conjunctive development of surface-water and ground-water resources.

- California Department of Water Resources used the estimated rates of evapotranspiration and pumpages resulting from the Central Valley RASA study to develop the hydrologic-economic model of the San Joaquin Valley.

- Corps of Engineers, Jacksonville, Florida, in cooperation with the Withlacoochee Regional Water-Supply Authority and the Withlacoochee Regional Planning Council, requested the use of the RASA-developed West-Central Floridan regional aquifer flow model for the long-term water-supply planning for parts of West-Central Florida.
- New Jersey Department of Environmental Protection and Logan Township used the information of hydrogeologic framework of the coastal plain aquifer system developed under the Atlantic Coastal Plain RASA study to identify aquifers for studies of ground-water quantity and quality in water-table aquifers from Trenton to Pennington, Logan Township, and Middlesex County, New Jersey.

Question: How much of the country's ground water has been covered?

Answer: There are 28 identified regional aquifer systems originally scheduled to be studied under the RASA program, which cover the area of about 80 percent of the Nation's ground-water use. As of April 1986, studies of 20 regional aquifer systems either have been completed (8) or are underway (12).

Question: How do these studies relate to water-quality problems?

Answer: In addition to providing an understanding of ground-water flow systems, all RASA studies include investigations of geochemistry which interpret the evolution of ground-water quality as it is related to the minerals contained in rock matrices. In essence, the geochemical study is to evaluate ground-water quality problems largely unrelated to human activities as related to the flow system. Also, information derived from the RASA program will be supportive of both a pilot and full scale national water-quality assessment organized by hydrologic "study units" (river basins and aquifers). The "study units" will be portions of major aquifer systems which have been studied under the RASA program, or under other programs of general hydrogeologic evaluations. For some of these aquifer systems, the general ground-water flow patterns and sources of recharge are well understood, making possible effective and immediate commencement of water-quality studies.

Question: At the base level, when would all Phase I studies be complete?

Answer: At a funding level of $14.1 million each fiscal year in the outyears, all Phase I studies would be completed by the end of fiscal year 1992.

IMPROVED INSTRUMENTATION

Question: When do you expect delivery of your new "AHDAS" data collection systems? (p. 190)

Answer: Prototype units of the Adaptable Hydrologic Data System (AHDAS) are scheduled for delivery by October 1, 1986.

Question: Why has this slipped from last year?

Answer: The delivery has slipped because of software and hardware development problems with the contractor.

Question: How long will it take to evaluate the system?

Answer: It will take approximately 12 months to fully evaluate the system, which requires field testing.

Question: When would you expect to begin using the systems on an operational basis?

Answer: Depending upon satisfactory performance by the contractor, and favorable results from field tests, the Geological Survey would be in a position to consider procuring operational units by the end of fiscal year 1987 for deployment in fiscal year 1988.

TOXIC SUBSTANCES HYDROLOGY

Question: What is the relationship between the studies carried out under the Toxic Substances Hydrology program (p. 194) and those to be carried out under the National Water-Quality Assessment?

Answer: The Toxic Substances Hydrology program is fundamentally a research effort, the goals of which are to provide knowledge of the physical, chemical, and biological processes that affect the distribution, transport, and fate of toxic substances in surface and ground water, and to develop methods needed to detect, identify, and quantify contaminants in the environment. Studies conducted under the Toxic Substances Hydrology program are generally limited to areas where there have been human impacts on ground- and surface-water systems, for the purpose of developing an improved and transferable understanding of how certain classes of contaminants react in representative hydrologic environments. In contrast, the full scale national water-quality assessment program would have as its ultimate goal the assessment of surface- and ground-water quality conditions nationwide. The two programs would be closely related and interactive. Theories arising from research and methods development in the Toxic Substances Hydrology program would be instrumental in the design of activities in a full scale national water-quality assessment program, as well as the detection of trends that may exist in the quality of the water resources.

Question: For example, there are four prototype studies of river basins in the National Water Quality Assessment, and three in this program.

-- What is the difference?

Answer: The three river basins under study in the Toxic Substances Hydrology program were selected because of the existence of a specific contaminant problem that allows the Geological Survey to test various research hypotheses, develop new study approaches, and improve sampling methodologies to understand how contaminants behave in a particular environment. Areas to be studied under the pilot scale National Water-Quality Assessment Program will contribute to the overall national assessment of water-quality conditions, and are not selected because of the existence of a particular contaminant problem. The four river basin prototype studies to be conducted under the pilot scale National Water-Quality Assessment Program are designed to test methods for conducting a nationwide assessment of the quality of the Nation's surface water.

In general, approaches used for collecting and interpreting data for the National Water-Quality Assessment studies are more clearly defined, the methodologies less experimental, and the research more applied than in the focused field research efforts conducted under the Toxic Substances Hydrology program.

Question: Isn't the work in this area just a subset of the National Water-Quality Assessment?

Answer: Research programs such as Toxic Substances Hydrology are an essential element of many water-resources investigations. Research conducted by the Toxic Substances Hydrology program contributes knowledge in support of scientific programs in the Geological Survey, as well as in other Federal agencies and State and local agencies. Research into interdisciplinary earth-science processes not only represents an essential cornerstone in support of the technical needs of programs in place today, but also provides the baseline knowledge and methodologies for programs such as the National Water-Quality Assessment, addressing current and future water-resources problems.

NUCLEAR WASTE HYDROLOGY

Question: The Nuclear Waste Hydrology program is being reduced by 55% ($4,100,000) from the base, mainly by reducing work on high-level nuclear waste (p. 203).

What kinds of research will not be done under these conditions?

Answer: Investigations of alternative media and hydrogeologic environments will be terminated. Studies of processes that control transport of waste and development of techniques of site and system characterization will be curtailed.

Question: What relationship did this work have to the siting of the first high-level waste repository?

Answer: Accomplishments of the research program over the past few years in electromagnetic exploration techniques, ground-water chemistry, unsaturated-zone hydrology, and rock mechanics will be used in the site characterization program of the first repository. Much of the current research is aimed at the second generation of potential repository sites in crystalline rocks rather than the first site.

The Geological Survey was directed by the Nuclear Waste Policy Act of 1982 to assist the Department of Energy (DOE) in advisory and consultatory fashion in development of the siting guidelines for locating the first repository. The experience gained by the Geological Survey through its directly-funded research and investigations provided its scientists with greater knowledge about the potential earth-science problems associated with siting and, thus, the Geological Survey was able to contribute more valuable information for use in the guidelines.

Question: What remaining work will be funded on a reimbursable basis? At what dollar level?

Answer: The Geological Survey has principal responsibility for hydrogeologic characterization of the Yucca Mountain, Nevada, site. The Geological Survey also continues to study some unique techniques of investigation and to participate in problem- and program-oriented workshops. Such activities are supported by the DOE through the Nevada Nuclear Waste Site Investigations; the Basalt Waste Isolation Project, Hanford, Washington; the Crystalline Rock program; and the Salt Repository program. In addition, two liaison and consulting positions are supported by DOE for Geological Survey personnel in Columbus, Ohio, and at DOE headquarters in Washington, D.C. The reimbursable funding for this work is anticipated to be in excess of $20 million for fiscal year 1987, most of which will support the Geological Survey's work at Yucca Mountain, Nevada.

Question: Do you have an independent evaluation role in the siting and licensing of nuclear waste facilities?

-- Are you required to provide a review?

Answer: Yes. The Geological Survey, either independently as a Bureau or as part of the Department of Interior, reviews and comments, as appropriate, on the earth-science aspects of most of the significant program documents from several responsible agencies that are prepared in support of siting and licensing. The Geological Survey exercises an independent evaluation role in the siting and licensing of nuclear waste facilities as an agency of the Department of Interior which has a mandate to evaluate the environmental impacts of proposed Federal activities through the National Environmental Protection Act, and to evaluate the impacts of proposed activities on Federal lands. These evaluations are coordinated by the Department's Office of Environmental Project Review; and the Geological Survey provides technical reviews and assessments of the documents and proposed actions that come before that Office. The Geological Survey also plays an independent role in evaluation by participation in topical workshops and on various technical review panels. The Geological Survey is frequently requested to comment on documents and programs and, as the Nation's leading earth-science agency, is obliged and privileged to provide expert opinion in the best interest of the Nation.

Question: What kinds of personnel will be reduced in this program?

-- Will there be actual personnel reductions?

Answer: The most likely effect will be that present levels of technical personnel supported by this program will be reassigned to equally pressing problems in other programs. Researchers working in this program have developed close familiarity with the Federal program for the handling and disposal of nuclear waste and with the technical issues involved in siting and licensing a repository. Thus, they have been able to provide, on short notice, prompt and relevant comments on all earth-science aspects of the Federal program and have contributed significantly to its progress.

ACID RAIN

Question: In your acid rain program, where are the 16 sensitive areas you are studying? (p. 205)

Answer: The sensitive areas being studied are as follows:

Emerald Lake in Sequoia National Park, California
Ned Wilson Lake in Flattops Area, Colorado
Loch Vale in Rocky Mountain National Park, Colorado
Lake Lucerne, Florida
Panola Mountain Area, Georgia
Cunningham Falls Area, Maryland
Frost Valley Area, New York
Sand Hills Area, North Carolina
Laurel Ridge Area, Pennsylvania
Mount Nebo Area, Pennsylvania
Massanutten Mountain Area, Virginia
Old Rag Mountain Area, Virginia
Goat Lake, Washington
Lake Clara, Wisconsin
Vandercook Lake, Wisconsin
A prairie pothole (lake) near Woodworth, North Dakota

Question: How were they chosen?

Answer: The sites were chosen to represent a variety of watershed environments sensitive to acid deposition throughout the Nation, but with the largest number of sites in the East where the acidity of atmospheric deposition is highest.

Question: What is the rationale for reducing the number of areas to 12 in fiscal year 1987?

Answer: It was determined that the acid rain program would incur a share of the budget reductions in this time of fiscal constraints. With this in mind, four monitored areas, which proved difficult to maintain and showed less sensitivity to acidification than originally was expected, were selected for elimination.

Question: How will you choose the six areas in which to do detailed studies?

Answer: The six areas to be studied in detail in an effort to define the chemical interactions between atmospheric deposition, bedrock, soils, and surface and ground water are:

Ned Wilson Lake in Flattops Area, Colorado
Loch Vale in Rocky Mountain National Park, Colorado
Panola Mountain Area, Georgia
Cunningham Falls Area, Maryland
Frost Valley Area, New York
Massanutten Mountain Area, Virginia

The criteria used for selection were the same as those used to select the total list of areas to be monitored, that is, areas that have been identified as sensitive to acid deposition, each of which is representative of a particular set of geologic, hydrologic, and meteorological conditions. The six areas were chosen to represent a variety of sensitive watersheds throughout the Nation, but with the largest number of sites in the East where the acidity of atmospheric deposition is highest.

Question: An article from The Oregonian indicates possible acid rain damage in the Northwest.

-- Is this study a result of your overall acid rain program?

Answer: Yes. Goat Lake in Washington is one of the 16 surface-water bodies that are being monitored to detect changes in water quality that may be attributed to the effects of acid precipitation. The water in Goat Lake has a very low alkalinity, suggesting that it would be sensitive to the effects of acid rain. Periodic chemical analyses of water from Goat Lake during the past 3 years seem to indicate a progressive decrease in alkalinity, suggesting that the lake is gradually losing its capacity to buffer the effect of inputs of acid from precipitation. The article in The Oregonian is generally accurate in its description of the mechanisms that control lake quality and the difficulty in generalizing from observations of a single lake in a large population of Cascade Mountain lakes.

Question: Are any of your 16 sensitive sites in the West?

Answer: Yes. We have five sites in the West: one site in California, two in Colorado, one in North Dakota, and one in Washington.

Question: How important is the trace metal work you started in fiscal year 1985 in the acid rain program?

Answer: When the pilot-scale monitoring program was started in fiscal year 1985 to determine concentrations of trace metals in wet deposition at six stations in the National Trends Network (NTN), it was considered that information on the trace-metal content of precipitation would be useful in the National Acid Precipitation Assessment Program's effort to assess the extent of mobilization of trace metals in the environment by acid rain. It was thought that the information would provide a means of separating the component of the metals content in surface and ground waters that was due to input from the atmosphere from the component that was derived from leaching of trace metals from soil and bedrock by the acid precipitation itself.

Question: What is the significance of trace metals in acid rain?

Answer: Mobilization of toxic trace metals by acid precipitation is postulated to be one means by which acid rain could have an indirect detrimental effect on human health. Knowledge of the relative contributions from the atmosphere and from the watershed would be useful in assessing the effectiveness of emissions reductions in reducing that effect.

Question: Why are you terminating the program? (p. 206)

Answer: A literature study by the Environmental Protection Agency has shown that the potential for mobilization of trace metals from soil and bedrock by acid precipitation developing into a significant health problem in the United States is low. The Geological Survey considers the direct measurement of trace metals in surface and ground waters to be the most practical way to remain alert to any changes in the situation that would indicate a more serious problem.

Question: Are you getting any significant results?

Answer: The short period of monitoring at the six NTN sites has shown that all five metals analyzed for (cadmium, cobalt, copper, lead, and mercury) occur at or below the lowest level of detection by current analytical technology. We can therefore generalize that there does not appear to be widespread occurrence of any of the five metals in concentrations greatly above 1 microgram per liter in precipitation in the United States. A significant research need that has been pointed out by the project is the development of more sensitive methods of chemical analysis of precipitation for these particular trace metals.

State Water Programs

FEDERAL/STATE COOPERATIVE PROGRAM

Question: How does the cooperative program have to be changed, if at all, to fit into the National Water-Quality Assessment?

Answer: The Cooperative Program could serve as an effective mechanism to encourage and support significant State and local involvement in activities directly related to a national water-quality assessment. The basic operational provisions of the Federal/State Cooperative Program do not require any changes to enable this active involvement.

Question: Doesn't your proposed reduction of $2,236,000 have the effect of reducing water studies by twice that amount?

Answer: Yes. It would reduce the USGS Federal/State Cooperative Program by a total of $4,472 thousand. Because of the 50:50 matching requirement, a reduction of Federal funds in this program will result in an equivalent reduction in funding provided by State and local cooperating agencies.

Question: If so, why was such a reduction recommended?

Answer: The funding decrease was proposed in this program to accommodate the constrained fiscal year 1987 budget climate.

Question: Based on the table on page 222 of your justification, you propose to match only 71% of the State offerings.

-- What is the average matched?

Answer: For the past 5 years, fiscal year 1982 - fiscal year 1986, the average estimated State offerings to be matched was about 84 percent.

Question: What is the reason for the large projected increase in State offerings?

Answer: The increase in State offerings largely reflects the continuing growth in emphasis on water-quality issues, as well as on other concerns regarding the availability and distribution of the resource. Overall, there is an increasing need for hydrologic information at local, State, regional, and national levels.

Question: What is your assessment of the quality of State offerings?

Answer: In the process of negotiating with Cooperators on the content of each year's program, all proposed projects are subjected to intensive review to appraise their scientific and technical merits, and their relationship to the expression of Federal priorities which guide the program. Through this process, projects of "poor quality" are weeded out. The level of effort identified for fiscal year 1987 as "Estimated Cooperator Offerings" reflects the best judgment of our District and Regional Offices of the amount of funding that is likely to be proposed by their cooperators for matching. These estimates consider the results of the project review processes in previous years (which identified high-quality proposals for which funding was not available) as well as other information available from cooperators indicating the potential magnitude of their proposals for fiscal year 1987.

Question: Why do Florida, New Jersey, and Kansas show such large offerings increases?

Answer: The increased offerings in these States reflect principally the growing focus on concerns with respect to water quality, particularly ground-water contamination.

Question: If the same relative proportion of offerings were matched in fiscal year 1987 as in previous years, would you still get equivalent quality projects?

Answer: As far as we can determine, if the additional amount of offerings were matched, the projects undertaken would be essentially equivalent or higher in quality to those previously provided for.

WATER USE

Question: When do you expect to fully implement the State water use program? (p. 220)

Answer: Assuming a constant funding level in the outyears, the Water Use program will be fully implemented in about 40 States by the end of fiscal year 1988. Full implementation of the Water Use program in the remaining States will depend largely upon State cooperator interest.

Question: To what uses is the data gathered by this system put?

Answer: Before the National Water Use Information program was started, estimates of water use were derived from many sources and were based on a variety of methods of data collection and analysis that differed in accuracy. Therefore, the available information fell short of providing a data base that was current, readily accessible, and reliable. Without adequate information on the amount of water used, where it is used, and how it is used, planners and managers cannot resolve many critical water problems involving resource allocations, environmental impact, energy development, and water quality.

The National Water Use Information program is designed to provide historic water-use information to enable water policy makers, planners, managers, and other potential users to project the hydrologic effects of future water demands, such as reduced reservoir levels and lower ground-water levels.

Local agencies will be better equipped to:

- determine present water uses and assist planners and managers in projecting future water demands;
- support comprehensive planning;
- allocate water resources;
- support conservation of water resources; and
- participate more knowledgeably in Federal planning.

Federal agencies will have:

- a national water-use data base to complement data on availability and quality of the Nation's water resources;
- an aid in regional and national planning efforts;
- the water-use information that is essential for the assessment of the Nation's water resources; and
- a means for analyzing and for making more timely and accurate summaries.

Specific examples are:

- The Corps of Engineers will use the water-use data in their Emergency Water Planning Project to assess water-resources needs and to develop allocation strategies in the event of catastrophic domestic emergencies.

- The water-use data system is being used in regional assessment studies, such as those in the Delaware River Basin and the Great Lakes area, to provide uniform, current and reliable water-use data to regional planning and management commissions for determining present water uses and to provide for more efficient resource allocations.

- The Bureau of Reclamation is working with the Geological Survey to derive more consistent and reliable water use estimates for the Upper Colorado Basin.

Site-specific water-use information is also used for more detailed studies. The system will be used in the National Water-Quality Assessment program started by the Geological Survey in fiscal year 1986 to help explain and predict changes in water quality, and in basin-analysis studies to determine the relationship between water supply and demand.

COAL HYDROLOGY

Question: The Federal coal hydrology program is not currently funded.

-- What effect will the proposed resumption of Federal coal leasing have on the need for coal hydrology data at the Federal level?

Answer: The Geological Survey would attempt to service, through existing programs and data networks, any renewed demand for coal hydrology data resulting from a resumption of Federal coal leasing. With the close-out of the Federal Coal Hydrology program during the period fiscal year 1981 - fiscal year 1985, the Geological Survey is no longer engaged in the operation of a large-scale, Federally supported water-data network designed for the specific purpose of assessing cumulative hydrologic impacts of coal-resource development and mine land reclamation. Other multi-purpose water-data networks which continue to be operated by the Geological Survey can provide some information useful for these types of analyses. Additionally, the Geological Survey Federal/State Cooperative Coal Hydrology program supports the conduct of investigations and the gathering of hydrologic data relative to coal resource development and reclamation. The Geological Survey presently conducts coal hydrology activities in cooperation with State and local government agencies in the following 27 States:

Alabama
Alaska
Arkansas
Colorado
Georgia
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maryland
Mississippi
Missouri
Montana
New Mexico
North Dakota
Ohio
Oklahoma
Pennsylvania
Tennessee
Texas
Utah
Virginia
Washington
West Virginia
Wyoming

STATE WATER RESOURCES RESEARCH INSTITUTES AND NATIONAL RESEARCH GRANTS PROGRAMS

Question: Does the cost-sharing ratio for State water resources research institutes change in fiscal year 1987?

Answer: Yes. In accordance with the provisions of the Water Resources Research Act, the Federal grant amount per Institute in fiscal year 1987 must be matched by one and one-half times that amount in non-Federal funds.

Question: Is it expected that the States will comply with this requirement?

Answer: Some Institutes may not comply because they lack sufficient non-Federal funds to meet the cost-sharing requirement or for some other reason. Federal grant funds not requested by those

Institutes who are unable or unwilling to contribute a full non-Federal amount would become available for allocation to the other Institutes on a competitive basis.

Question: Is that the genesis for the reduction in grants? (p. 225)

Answer: The funding decrease was proposed in this program to accommodate the constrained fiscal year 1987 budgetary climate.

Question: What is the status of your evaluation of individual institutes?

Answer: As of April 1, 1986, the Geological Survey has completed 20 on-site Institute evaluations and, based on analysis of the evaluation reports, has made 12 determinations of eligibility for future grants: 10 Institutes are eligible to receive future grants; 2 have been placed on 1-year probation, during which time corrective actions must be taken by the Institutes to maintain their eligibility. Determinations are still pending on the remaining 8 evaluation reports. Each evaluation report contains findings on the required "evaluation" elements and, where applicable, recommendations of actions that would improve the Institutes' effectiveness.

We expect to complete the initial round of evaluation of all 54 Institutes by June 1987.

Question: In the research grants program, what is the historic experience with regard to participation; that is, what proportion of both applications and awards go to water resources research institutes versus other entities?

Answer: In fiscal year 1985, 24 grants were awarded. Eleven (46 percent) went to universities hosting Water Resources Research Institutes, nine (30 percent) went to other universities, and the remaining four (16 percent) went to private firms and local governmental entities. Of the 368 applications submitted for fiscal year 1985, 185 (50 percent) were from the universities hosting Institutes.

Question: Can this program be oriented toward areas necessary to complement the National Water-Quality Assessment?

Answer: Every effort is being made to orient this program toward areas of national need. High priority is now being given to (1) problems of ground-water quality, and (2) problems relating to the use of waters of impaired quality. Research is sought to increase our understanding of the occurrence, transport, and fate of contaminants in waters as well as to provide techniques for measuring and abating specific water-quality problems. This program, therefore, provides an excellent opportunity to complement the National Water-Quality Assessment Program started by the Geological Survey in fiscal year 1986.

Question: What is the estimate of administrative costs of the program in fiscal year 1987?

Answer: Costs incurred by the Geological Survey in administration of the programs authorized by the Water Resources Research Act (both Institutes and Research Grants) are estimated to total $1.3 million in fiscal year 1987. The Geological Survey would return to the previous practice of funding program administration from the amounts appropriated to the Institutes and Research Grants Programs rather than through a separate Administration program element account. In fiscal year 1987, it is proposed that $500,000 of the funds requested for all programs under the Water Resources Research Act would be used for administration. This represents 7 percent of the total appropriation and is well within the 15 percent limit for Federal administrative expenses that is specified in Section 107 of Public Law 98-242. Funds that remain available under Public Law 95-467 would be employed to supplement the administrative requirements of the program. It is estimated that $800,000 in prior year appropriations under P.L. 95-467 would remain available at the beginning of fiscal year 1987. All of this amount, as well as the $500,000 mentioned above, would be expended in fiscal year 1987 for program administration purposes.

Question: If a level of grants equivalent to fiscal year 1986 were funded, would these costs change? If so, by how much, and why?

Answer: Continued funding at the fiscal year 1986 level would not produce a change in the administrative costs of the program.

Earthquake Hazards

Question: You are reducing the earthquake hazards budget $2,763,000. Included in the explanation of the decrease on page 79 is a reduction in the high resolution regional networks, and substitution for these networks in the future with a "National Seismographic Network."

Question: What advantages or disadvantages are there to a broader National Network?

Answer: The National network would consist of a framework of 30 to 50 primary stations spaced somewhat uniformly across the country. These primary stations would consist of a comprehensive suite of seismic instruments and would serve as a node or hub for a greater number of secondary stations deployed on a regional basis around the primary station. The secondary stations would be very simple in design and would record limited data for earthquake location and magnitude determination (what regional networks are doing today). The primary stations will provide more comprehensive data and serve as a data collection point for the secondary stations.

The advantages of the National network approach are:

- A coordinated national seismic recording system under one agency rather than the fragmented system that exists today.
- Replacement of equipment in the field that is either itself 20 to 30 years old or based on technology of that era.
- Reduction in costs of operation, maintenance, data transmission, and data analysis.
- Acquisition of more scientifically useful data.

The disadvantages are:

- Substantial up-front costs to provide necessary capital equipment.

Question: Will you get less scientifically useful data?

Answer: No. If the network is based on the modern system outlined above, it will provide digital data over a wide frequency range and will not be overdriven by large signals.

Question: Will it be cheaper to operate?

Answer: Yes. Maintenance and data transmission costs will be reduced.

Question: Will it be harder to make predictions based on its information?

Answer: No. In fact, the data will be more useful than those from current networks because the data will be in a digital format instead of the existing analog mode. In addition, the data will be received over an expanded frequency range, eliminating overdriven, unintelligible seismic signals.

Question: Why would other agencies want to support initial equipment purchases? (p. 79)

Answer: Other agencies that also support antiquated networks would benefit as well from a new National Seismographic Network. These agencies would receive more useful data and enjoy reduced operating costs that would result from a new network.

Question: Why, if a National network is the way to go, are you postponing design and prototype equipment development in FY 1986? (p. 68)

Answer: The Gramm-Rudman-Hollings reduction in FY 1986 was required as it is a specific item in Congressional committee reports and hence, does not enable us to begin this work.

Question: Why is it reasonable to reduce the regional networks before a National network is in place?

Answer: Although the reduction is due to budget constraints, regional networks that are regarded to be less critical have been selected for elimination.

Question: What regional networks are being reduced? Please provide details of the current monitoring network and the extent of the reductions in each area.

Answer: Four of the following five regional monitoring networks would be eliminated: a) Eastern Aleutian Islands, Alaska; b) Central Aleutians Islands, Alaska; c) Palm Springs - San Diego, California; d) Western Washington - Puget Sound, Washington; and, e) Northeastern United States.

The USGS currently supports seismographic networks operated by the institution identified in the following regions:

- Central and northern California --USGS, Menlo Park, California
- Southern California -- California Institute of Technology
- Palm Springs - San Diego -- University of California at San Diego
- Central Aleutian Islands -- University of Colorado
- Eastern Aleutian Islands (Shumagin gap) -- Columbia University

- Eastern California and Nevada -- University of Nevada, Reno
- Central Mississippi Valley -- St. Louis University
- Los Angeles basin and off-shore islands --University of Southern California
- Utah, Wyoming, and southern Idaho -- University of Utah
- Western Washington - Puget Sound -- University of Washington
- Southern Alaska -- USGS, Menlo Park, California
- Northeastern United States (1 of 4 networks) --Columbia University

Parkfield

Question: Please review for the committee your predictions for the Parkfield, California, region and on what basis you are able to make them.

Answer: The prediction is that there is a 95 percent probability that an earthquake of about magnitude 6 will occur along the 20-mile long segment of the San Andreas fault near Parkfield, California, (about half-way between Los Angeles and San Francisco) during the period 1986 to 1993. There is a low and unspecifiable probability that the earthquake will be somewhat larger than magnitude 6.

The prediction is based on the historical record and the concept of "characteristic earthquakes." During the past 100 years, five earthquakes have occurred near Parkfield with an average interval between events of 22 years. The last event occurred in 1966. Studies of the San Andreas and other faults worldwide indicate that faults tend to rupture in characteristic earthquakes, e.g. large infrequent events, moderate more common events, or through continuous slip or creep. The characteristic earthquake of the Parkfield region has been established to be of about magnitude 6 and occurring every 22 years.

Question: What is the status of equipment purchases for the Parkfield, California, region?

Answer: The equipment purchases are about one-half completed.

Question: How much more equipment is necessary to complete the equipment cluster?

Answer: We plan to double the equipment currently in place at Parkfield.

Question: Is funding for this included in the budget?

Answer: Funding for the USGS portion of this equipment was included in our FY 1986 budget and an additional $1 million has been provided by the State of California to complete the procurement.

Question: The National Academy of Sciences, among others, believes the Parkfield system should be expanded. What additional options have been suggested?

Answer: The following additional options were suggested:

o Drilling of five boreholes to depths of 3 miles in and near the fault zone for measuring several geophysical parameters including shear stress, rock velocity, temperature, and fluid chemistry.

o Emplacement of a profile of an additional number of boreholes at 0.6 to 1.3 miles depth for measuring the same parameters as the deeper holes directly along the fault.

o Strain measurements in a more widely spaced array of 1000-ft deep holes out to distances of 19 miles from the fault. Measurements in these holes should be tied to repeated high precision geodetic surveys over the surface of the same region.

o More detailed study of the Earth's crust in the Parkfield area using seismic imaging techniques and based on data collected in densely spaced arrays of seismometers both on the ground surface and in deep boreholes.

o Emplacement of an array of strong-motion seismometers (special instruments for recording very large seismic signals near the epicenter of major earthquakes) with the spacing of about 1000 ft in an area close to the fault for gaining data useful to engineers and designers of earthquake-resistant structures.

o Conducting several engineering studies of structural shaking and response and soil failure in the Parkfield area.

Question: What is the merit of drilling deep wells for instrumentation?

Answer: There are two reasons instruments in deep wells are preferable. The first is that there are many sources of cultural and natural "noise" at the surface of the Earth. Irrigation pumps, traffic, and daily changes in temperature, all have an affect on geophysical instrumentation. The second reason is that earthquakes in the Parkfield region occur at a depth of 3 miles or more. By putting instruments at this depth, changes in the Earth's crust at the focal zone can be measured directly.

Question: Is it too late to do this?

Answer: No, it is not too late to drill and instrument deep wells.

Question: How long would it take?

Answer: It would take about 2 years.

Question: What would it cost?

Answer: Costs would be about $2 million for each 3-mile-deep hole. We estimate the total cost of the enhancements to the Parkfield experiment as recommended by the National Research Council would be about $25 million.

Question: What other organizations are included at Parkfield and what are they doing?

Answer: The Geological Survey is working closely with a number of State and Federal agencies, including the California Division of Mines and Geology (CDMG), the California Office of Emergency Services, the California Seismic Safety Commission, and the Federal Emergency Management Agency. The USGS is working cooperatively with the CDMG in the development of the Parkfield earthquake prediction experiment. The CDMG is coordinating California's joint funding of equipment purchases for Parkfield. CDMG also maintains a network of nearly 50 strong-motion accelerographs deployed near the fault to record near-field strong motion for engineering design purposes. The California Office of Emergency Services, the California Seismic Safety Commission, and the Federal Emergency Management Agency are responsible for emergency preparedness and planning. Faculty from several universities (including University of California, Berkeley; Brigham State University, Provo, Utah; and others) are also participating in the Parkfield experiment, and have established joint university-USGS experiments in seismicity, strong motion, and liquefaction at Parkfield.

Question: Are there other areas besides Parkfield where similar clusters of monitoring equipment would be useful?

Answer: Yes, there are three areas each in southern and northern California. However, a specific earthquake prediction (e.g., Parkfield) has not been made for any of these areas. The geological setting of these areas of high earthquake potential is less well understood than at Parkfield.

Question: Do you have plans to instrument such areas?

Answer: Preliminary geologic site studies are underway but discussions regarding further instrumentation are deferred until completion of the Parkfield experiment.

Question: What is the total cost for such a cluster:

Answer: We estimate the cost of each cluster, of the type we are currently planning for Parkfield, to be about $5.1 million.

Question. Your budget justification refers to a "prototype operational earthquake prediction system for southern California." Describe it please.

Answer: The plan for this proposed earthquake prediction system calls for four additional Parkfield-like instrument clusters to be installed in southern California.

Question: What is its status?

Answer: Geologic studies and earthquake potential assessments of candidate sites are underway. Once these studies are complete and the results of the Parkfield experiment are in hand, future options for expanding the cluster concept will be reviewed.

Question: How does this sytem compare to the Parkfield system?

Answer: Parkfield can be considered the first instrument cluster of this system.

Question: Is California one of the areas where you are reducing funding in FY 1987?

Answer: Yes, certain laboratory and field studies are being reduced, but every effort will be made to maintain instrumental monitoring.

Question: What is the State of California's involvement in the earthquake program:

Answer: The State of California is actively involved in the interpretation and application of research data and in mitigation techniques. The State sponsors the Southern California Earthquake Preparedness Project and the Bay Area Regional Earthquake Preparedness Project, both very active and effective in coordinating local mitigation and preparedness activities. The Governor's Seismic Safety Commission has sponsored various successful pieces of legislation aimed at strengthening building codes and land-use planning. In a very positive step in 1985 the State enacted legislation providing $1 million of State funds to enhance the USGS instrumentation effort at Parkfield and additional funding to the State Office of Emergency Services to deal with the Parkfield prediction if and when it is issued.

Cleveland

Question: Please review for the Committee the magnitude and extent of the recent earthquake centered in the Cleveland, Ohio, area. Was this earthquake a surprise?

Answer: The earthquake that occurred near Cleveland, Ohio, on January 31, 1986, was a surprise, as most earthquakes are, but it should not have been unexpected. The region has a history of small to moderate earthquakes. Earthquakes with magnitudes approaching that of the recent event occurred in northeastern Ohio in 1906, 1928, 1943, and 1958.

Question: Was the geographic extent of the earthquake unusual?

Answer: The damage and strong shaking from this earthquake were limited to northeastern Ohio although the event was felt in surrounding States and the District of Columbia. Earthquakes in the eastern United States are characteristically more widely felt than earthquakes of the same magnitude in the West. The reason for this is that the crust of the Earth in the east is cooler, older, less elastic, and is more efficient in the transmission of seismic energy than in the West.

Question: What monitoring is in place to detect Eastern earthquakes?

Answer: Earthquake activity in the Eastern United States is monitored by four regional seismographic networks (supported by the Nuclear Regulatory Commission and the USGS), and by the USGS Global Seismic Network:

- The Northeastern U.S. Seismographic Network (supported largely by the Nuclear Regulatory Commission) monitors earthquake activity in the Middle Atlantic States and New England. The regional network is composed of 6 local networks operated by Boston College, the Massachusetts Institute of Technology, Columbia University (partial USGS support), the State University of New York, Stony Brook, and Pennsylvania State University.

- The Southeastern U.S. Seismographic Network (supported by the Nuclear Regulatory Commission) monitors earthquake activity in the southern Appalachian Mountains and the Southeast. The network is composed of 4 local networks operated by the Virginia Polytechnic Institute and State University, the Alabama Geological Survey, and Memphis State University.

- The New Madrid-Anna, Ohio, Seismographic Network (supported jointly by the Nuclear Regulatory Commission and the USGS) monitors earthquake activity in the central Mississippi Valley region and the Midwest. The network is composed of 3 local networks operated by St. Louis University and the University of Michigan.

- The Nemaha Ridge Seismographic Network (supported by the Nuclear Regulatory Commission) monitors earthquake activity in the central Great Plains area. The network is composed of 2 local networks operated by the University of Kansas and the University of Oklahoma.

- The USGS Global Seismic Network monitors earthquake activity nationwide. The network provides Federal and State emergency-response agencies and the news media rapid notification of the occurrence of significant earthquakes in the United States and around the world.

Question: Is it sufficient?

Answer: Yes. The four regional seismographic networks are located in the principal seismic zones of the Eastern United States. Within their area of coverage, the regional networks are capable of locating and determing the size of most earthquakes of magnitude greater than 2 to 3. The USGS Global Seismographic Network, with seismographic stations nationwide, is capable of locating and determining the size of most earthquakes of magnitude 3 and greater, occurring anywhere in the Eastern United States.

Question: Are such earthquakes predictable?

Answer: No. There is no operational earthquake prediction capability. It would be much harder to predict earthquakes in the Eastern United States than in the West. Earthquake prediction networks need to be located close by faults and other seismic sources to detect the subtle precursory changes that may occur prior to a large earthquake. Faults and other seismic source zones are more easily identifiable in the West than in the East. The geologic structures responsible for earthquakes in the Eastern United States remain largely unknown--perhaps deeply buried several miles below the Earth's surface.

Question: Do you have instrumentation in place to do so?

Answer: No.

Question: Why or why not?

Answer: Active geologic faults or structures causing the infrequent earthquakes in the Eastern United States have not been identified (except in the New Madrid area), thus a useful concentration of instruments is not possible.

General

Question: An April 3rd Washington Post article indicates a new method of measuring underground nuclear tests may have been developed. Did the Geological Survey have any role in this activity?

Answer: Seismic data collected by our National Earthquake Information Center from seismic networks in the United States and worldwide was used by the Department of Defense to complement other data sources and establish the scientific basis for the change in yield determination procedures. Some USGS scientists participated directly in these studies on a reimbursable basis.

Question: Did this result from, or could it help, your earthquake monitoring activity?

Answer: Our general earthquake monitoring and data collection activities helped resolve the yield determination issue. Resolution of this issue is of little direct benefit to our earthquake program.

San Francisco

Question: What is the extent and significance of the recent earthquake activity in the San Francisco area?

Answer: There was little damage from the magnitude 5.3 earthquake of March 31, 1986, that occurred 15 miles northeast of San Jose, California; however, the event was felt widely and sharply in the San Francisco Bay region.

Question: Were there any precursors or forewarnings of this activity?

Answer: No. Much like the case of the Ohio earthquake, the event occurred in a region where it cannot be associated with any known recently active fault. There were no instruments in the immediate epicentral area.

Question: Is there any need to increase monitoring of activity in the area?

Answer: The cause of greatest concern in the area is about 20 miles to the north along the Oakland-Berkeley section of the Hayward fault, the source of large earthquakes in 1836 and 1868. This area is now very densely populated (much of it on steep hillsides or poorly consolidated bay fill) and has major transportation and other lifelines passing through it. If the Parkfield experiment proves successful, this area would be reviewed together with all options for the cluster concept.

Volcano Hazards

Question: Please review for the Committee the eruption of the Ruiz volcano in Colombia and the Geological Survey's role in monitoring and advising the Colombian government.

Answer: Nevado del Ruiz, northernmost active volcano in the Andes, erupted on November 13, 1985, triggering mudflows that killed at least 22,000 persons and destroyed more than $212 million in property. The eruption culminated a year of precursory activity that began in late November 1984. Steam explosions on September 11 caused a regional fall of ash and a mudflow on the northeast side of Nevado del Ruiz. Intermittent, weak gas-and-ash emissions and seismic activity continued into October-November, culminating in the eruption of November 13.

The November 13 eruption began with a strong steam explosion at 3:05 p.m., depositing ash northeast of the volcano. At 4:00 p.m. scientists advised evacuation of threatened areas. The main eruption started at 9:08 p.m.; a succession of hot, pyroclastic flows and surges scoured and melted part of the summit ice cap generating mudflows that swept down river valleys on the east, north, and west flanks of the volcano, invading the towns of Armero, Tolima, and Chinchina, Caldas.

In May 1985, the USGS was asked by the Colombian Geological Survey (the Instituto Nacional de Investigaciones Geologico-Minears, INGEOMINAS) to assist in establishing a monitoring system at Ruiz volcano. The USGS and the Office of the United Nations Disaster Relief Coordinator (UNDRO) cooperated to provide seismographic equipment that was used to establish a non-telemetered network of 4 portable seismographic stations around Nevado del Ruiz in July 1985.

In September, at the request of the Government of Colombia, the USGS (with support from the U.S. Office of Foreign Disaster Assistance, OFDA) sent geologist Darrell Herd, who had studied the volcanic history of Ruiz volcano in 1972-74. Herd assisted the Colombian scientists in the planning and coordination of an expanded monitoring and investigation program at Ruiz volcano, and assisted in the preparation of a volcanic hazards map of Ruiz.

Herd returned in November at the request of the U.S. Ambassador to help direct the emergency response to the November 13 eruption of Nevado del Ruiz volcano. Herd was joined several days later by a 9-member USGS volcanic crisis assistance team (led by geologist Norman Banks) that brought several sets of seismographic and ground-deformation equipment to Manizales. (Both Herd and the USGS volcanic crisis team were supported by OFDA.) The USGS team, together with scientists of the Ruiz Volcanological Studies Committee, established a state-of-the-art volcano monitoring network equipped with telemetered seismographs and tiltmeters, and networks of geodetic lines, on the flanks of Nevado del Ruiz. The network monitors earthquake activity and movements of the volcano's sides that may be premonitory to another eruption.

Question: To what extent did the ongoing hazards reduction and monitoring program assist in making assessments of the volcanic activity there?

Answer: The monitoring and hazards assessments of eruptive activity at Ruiz volcano have been assisted directly by scientific advances and experience gained under the USGS Volcano Hazards Program. USGS studies of Mount St. Helens and other U.S. Cascades volcanoes--which, like Nevado del Ruiz, are all similar in mineral composition (andesite)--are guiding the monitoring and assessment of hazards at Nevado del Ruiz. A map of the potential volcanic hazards of Ruiz, which was prepared in September-October 1985, was patterned after USGS maps of the volcanic hazards of several volcanoes, including Mount Shasta in California and Volcan Cotopaxi in Ecuador. The network of seismographs and ground-deformation monitoring instruments now deployed around Ruiz, was modeled after the monitoring systems in place at Mount St. Helens and Kilauea Volcano, Hawaii.

Question: How accurate and timely were predictions that were made with regard to the volcanic activity and the extent of possible damage?

Answer: Colombian, USGS, and other international scientists made repeated warnings that Ruiz might be building to a major eruption. Their forecasts of potential activity proved correct.

Herd's geologic studies (completed in 1974) had shown that major eruptions had occurred at Ruiz volcano during the recent geologic past on the average of about every 160 to 400 years. Prior to its eruption in 1985, Ruiz volcano had been quiet for most of this century, and had not experienced a major eruption since 1595 A.D. (390 years).

The persistence of abnormal earthquake and fumarolic activity into early 1985 prompted Colombian, USGS, and other international scientists to warn that Ruiz might be building to a major eruption. In March 1985, UNDRO seismologist John Tomblin concluded that the abnormal activity could be precursory to an eruption of magnitude. He recommended that INGEOMINAS install a portable seismograph on the volcano at the earliest possible date, and that a hazard map be prepared. In August 1985 INGEOMINAS also warned that the continued earthquake activity at Ruiz could be precursory to a large volcanic eruption, noting that in about 25 percent of similar cases in other parts of the world, the earthquake activity had ended in an eruption of magnitude. On September 28, 1985, during a widely attended lecture on the eruptions of Ruiz volcano, USGS geologist Herd also warned that the continued earthquake and phreatic activity could be precursory to an eruption.

A volcano hazards map of Ruiz volcano, which was prepared in September-October 1985 by Colombian scientists (with international and USGS assistance), correctly anticipated the areal extent and character of the volcano's ultimate eruption on November 13. The Colombians had estimated in October that there was a 100 percent probability that potentially damaging mudflows would be generated by an eruption. They had also determined that there was a 67 percent probability that an eruption would result in a regional ash fall (most likely directed toward the northeast). The November 13, 1985, eruption generated mudflows that swept down valleys on the west, north, and east flanks of the volcano, and was accompanied by a northeast-directed ash fall.

Question: What scientific and other information was gathered that will help in monitoring U.S. volcanoes?

Answer: Considerable new scientific data on the eruptive behavior and hazards of andesitic volcanoes was learned during the Ruiz volcano crisis. USGS and other international scientists working at Ruiz witnessed yet another eruption of an andesitic volcano that (like the May 18, 1980, eruption of Mount St. Helens) began with relatively little precursory activity. The scientists have also observed subsequent minor eruptions that were preceded by lengthy, strong precursory activity. The 1985 eruption of Nevado del Ruiz also demonstrated that a relatively small eruption of hot pyroclastic material onto snow and ice fields can trigger a major mudflow disaster. The eruption underscored the serious mudflow hazards of the large ice-capped U.S. volcanoes (e.g., Mount Rainier, Mount Hood, Glacier Peak, among several).

Question: Do we have monitoring systems on these volcanoes in the United States where hazards exist?

Answer: Yes. The USGS maintains dense seismographic and ground-deformation monitoring networks in Hawaii and Washington State to monitor and warn of eruptions of Kilauea and Mauna Loa volcanoes, and Mount St. Helens. The USGS monitors other Cascades and Alaskan volcanoes with regional earthquake monitoring networks supported cooperatively by the USGS Volcano Hazards, Geothermal Investigations, and Earthquake Hazards Reduction Programs. Ground-deformation surveys also are repeated periodically at the volcanoes.

Question: Please review for the Committee the extent and significance of the recent volcanic activity at Mount Augustine in Alaska.

Answer: Early the morning of March 27, 1986, Augustine volcano, an island stratovolcano in lower Cook Inlet along the southern coast of Alaska began erupting clouds of volcanic ash that fell throughout the Cook Inlet and Kenai Peninsula areas of southern Alaska. Anchorage, a metropolitan area of approximately 250,000 people (60% of Alaska's population), is at the head of Cook Inlet, about 175 miles northeast of the volcano. The ash fall disrupted commercial and military air traffic and caused numerous businesses in Anchorage to close early. The eruption continued through April 4, 1986, venting a steady, vigorous plume carrying variable amounts of ash, mainly in northeasterly (toward Anchorage) to southerly (seaward) directions, depending on the prevailing wind direction. Throughout much of the week, ash in the atmosphere caused hazardous flying conditions for commercial and military aircraft. Most airlines suspended service to the Anchorage airport, and one Sabena 747 suffered significant abrasion of windshields and turbine parts while making a descent to the Anchorage airport in near-zero visibility conditions due to ash in the atmosphere. Since April 5, 1986, activity of Augustine Volcano has consisted of vigorous steam emission, but no significant eruption of ash.

Question: What are the most significant dangers?

Answer: It is likely that the volcano will be quiescent for a few weeks and then have renewed non-explosive activity with extrusion of a dome into the summit crater. Augustine volcano has erupted explosively seven times since 1812. An eruption in 1883 was particularly violent; a lateral blast or a collapse of the north flank produced a tsunami (sea wave) with a height of nearly 25 feet that struck English Harbor, a small fishing village 50 miles to the east on Kenai Peninsula. It caused no deaths, but it did considerable damage. In 1883, English Harbor was the only settlement on lower Cook Inlet. Such a wave today, particularly during the summer period of high recreational use of the Kenai shoreline, would undoubtedly take many lives and cause extensive property damage in lower Cook Inlet communities, particularly Homer. The most recent eruption of Augustine prior to 1986 was on January 22, 1976. Ash was ejected to heights of at least 40,000 feet, and several civilian and military aircraft suffered engine and fuselage damage while flying through the ash cloud. The significance of this relatively minor eruption of Augustine Volcano lies in the reminder that the volcanic chain just west of Cook Inlet is an active volcanic chain, with 13 eruptions since 1812 (a mean interval of 13 years). Volcanic hazards to the Cook Inlet area include ash fall, tsunamis, and volcanically induced floods. Ash fall is a particular concern because Anchorage is a hub of commercial, civil, and military air traffic, and a major approach route is along Cook Inlet downwind of the volcanoes. Aircraft could easily and inadvertently fly into an ash cloud at night or in bad weather, with potentially catastrophic results. The tsunami hazard along Cook Inlet is illustrated by the 1883 eruption of Augustine volcano, described above. Several of the historical eruptions from the Cook Inlet volcanoes have been significantly more violent than the 1986 event, but none have approached the violence of a Mount St. Helens, a Katmai (Alaska, 1902), a Krakatau (Indonesia, 1883), or a Tambora (Indonesia, 1815). Such potentially devastating eruptions, however, cannot be precluded for the Cook Inlet volcanoes.

Question: Did you have a monitoring network in place in the area?

Answer: We do not, but there are seismographs on or near Augustine Island operated by the Geophysical Institute of the University of Alaska, one of which is telemetered to the USGS offices in Anchorage. The USGS maintains some stations in the volcanic region west of Cook Inlet, including one seismograph 22 km from Iliamna Volcano, three stations around Spurr Volcano (only one of which is currently working), and one station 21 km NE of Redoubt Volcano.

Question: Do you now?

Answer: No. The University of Alaska installed two EDM (Electronic Distance Measuring) lines on Augustine the week before the eruption, but as of 14 April there has been no opportunity to re-measure the lines. There are no tiltmeters on Augustine.

Question: Does this eruption have any bearing on possible eruptions by other Alaskan volcanoes? By Cascades volcanoes?

Answer: No, it has no bearing on possible eruptions by other Alaskan or Cascades volcanoes.

Landslide Hazards

Question: What role did the Geological Survey play, if any, in the recent heavy rainstorms and landslide activity on the West coast?

Answer: USGS landslide specialists advised the State of California and the National Weather Service at the beginning of the disastrous February 12-18, 1986, storm that intense rainfalls could initiate widespread, potentially damaging landslide activity. The USGS specialists also provided emergency technical assistance to State and local authorities during and immediately after the storm, helping officials to identify, evaluate, and mitigate the damaging landslides. The rainstorm drenched the Coast Ranges and Sierra Nevada of California locally with more than 20 inches of rain, initiating thousands of landslides, debris flows, and rockslides that blocked highways and destroyed several homes.

Question: Were any of the landslides predicted?

Answer: USGS landslide specialists alerted the National Weather Service, the California State Division of Mines and Geology (Jim Davis, State Geologist), and the California Office of Emergency Services on February 14, and again on February 17, that rainfall totals of more than 3 inches in 6 hours in the San Francisco Bay area might be accompanied by widespread, potentially damaging debris flow and mudflow activity. Damaging landslide activity occurred in the San Francisco Bay area Friday, February 14, when rainfall intensities locally exceeded 0.6 inches per hour.

Question: Were any hazards warnings issued?

Answer: Yes, regional landslide advisories were issued. The National Weather Service (NWS) issued joint NWS-USGS Special Weather Advisories at 11:30 a.m. PST, Friday, February 14, 1986, and again at 12:15 p.m. PST, Monday, February 17, warning of possible landslide activity.

Question: Have you issued other hazards warnings recently?

Answer: No.

Question: What kind of monitoring do you do? Where?

Answer: The USGS (in cooperation with the National Weather Service and California water agencies) monitors a network of continuously recording rainfall stations in the San Francisco Bay area to study the relationship between rainfall and landslide activity. A group of landslides in the Santa Cruz mountains near La Honda, California, have been densely instrumented to assess the relationship between changes in ground-water levels and associated landslide activity.

Question: What is your assessment of the need for either a nationwide landslide reconnaissance or detailed landslide susceptibility maps, both of which were options in your joint study with FEMA in 1985 (p. 491 - 1986 hearings)

Answer: A nationwide landslide reconnaissance would identify where landslide processes are concentrated, and correspondingly, where more detailed studies are necessary. Although landslides cause staggering losses, landslides are, of all the natural hazards, the most amendable to damage-reduction techniques. The identification and understanding of controlling regional landslide processes might permit inexpensive, rapid identification of landslide-prone areas where landslide mitigation techniques could most profitably be applied.

Question: Who uses the Landslide Information Center? (p. 93)

Answer: The Landslide Information Center is used by scientists, professional engineers, and by government and planning officials. The Information Center answers requests for technical landslide research and bibliographic data from landslide specialists in government and industry in the United States and other parts of the world. The Center also provides information on landslide laws, regulations, and building codes to Federal, State, and local government and planning agencies.

Question: Why is it being terminated?

Answer: The Landslide Hazards program is being reduced to meet higher Departmental program needs.

Question: What is your assessment of its value?

Answer: The Landslide Information Center has served as a reference center in the United States devoted to landslide research, hazards reduction, and land-use planning and regulation, however, the information will be transferred to the USGS library in Denver, Colorado, and be available on request.

Question: What are the costs of its operation?

Answer: The Landslide Information Center costs about $100,000 annually to operate.

Land Resource Surveys

Question: What is the state of completion of geologic mapping compared to quadrangle mapping of the United States?

Answer: Requirements for geologic mapping differ from those for topographic (quadrangle) mapping, and thus the state of completion of geologic mapping must be assessed differently. Topographic mapping has goals for complete National coverage at each of 1:250,000, 1:100,00, and 1:24,000 scales. Geologic mapping is most useful at the appropriate scale that best portrays the local geological relationships, dictating that different parts of the Nation be completed at different scales. For example, less than half the Nation requires the detail shown on 1:24,000-scale geologic maps, and the remaining part requires 1:62,500, 1:100,000, or 1:250,000 scales. The following table gives the approximate amount of the Nation that needs to be covered at each scale and the estimated state of completion.

Scale	Amount of Nation	State of completion
1:250,000	about 30%	about 50%
1:100,000	about 20%	about 5%
1:62,500	about 20%	about 15%
1:24,000	about 30%	about 10%

Topographic map coverage currently far exceeds geologic map coverage because, unlike geologic maps, topographic maps are made by standardized techniques. Geologic maps, on the other hand, must portray geologic relationships and information that are different in every map area, so each must be constructed differently. Although the techniques used to make topographic maps are highly sophisticated and require skilled technicians, the standardization and general applicability of these techniques to all topographic maps allows relatively rapid production. Geologic maps, however, require field investigations in each particular area by geologists whose training is specialized to the area under study.

Question: What are your highest priority areas for geologic mapping?

Answer: A USGS evaluation conducted during FY 1985 identified 12 candidate high-priority regions including three in the Appalachians, one that extends from northern Mississippi to Oklahoma, one in the Great Lakes area, three in the Rocky Mountains, three in Pacific coast States, and one in the Brooks Range, Alaska. These areas will be reviewed by other segments of the earth-science community including the National Academy of Sciences and the American Association of State Geologists and incorporated into a national plan. It is expected that concensus on priorities for the Survey's geologic mapping program will be achieved during FY 1986. Many smaller areas throughout the U.S. will continue to be mapped to provide basic geologic information for a variety of purposes; much of this effort will continue concurrently with additional new mapping that may be initiated in response to the plan.

Question: What is your schedule for completion of one-time coverage?

Answer: The geologic map needs of the user community do not require a one-time coverage at different scales for different regions to adequately portray the complexity of geologic relationships and to answer specific problems. Since the cost and time required to map each square mile increases as the scale (and consequently the detail) increases, the USGS proposes that geologic mapping coverage of the entire country should be conducted by identifying scales appropriate for each region, which are identified as standard regional scales.

Our schedule for complete one-time coverage at a variety of standard regional scales is imprecise for a number of reasons, including: changing user needs, unknown level of detail needed in many unmapped regions, and uncertain long-term funding and manpower resources. To work toward establishing a schedule, however, and to most effectively meet increasing national needs for geologic maps, the USGS is proposing under a recently formulated national plan for géologic mapping to prioritize areas to be mapped, based on current and future importance to scientific and applied needs. High priority areas that address the most pressing needs will be mapped first. Based on the results of this geologic mapping and a five-year cyclic review of current national needs, newly targeted, high-priority map areas will be begun. These reviews and renewed mapping programs will continue until national geologic map coverage is complete at scales appropriate to national needs. At present funding and manpower resource levels, about 50 maps a year can be produced.

Question: Why are you reducing the cooperative mapping program (p. 106-107)?

Answer: The COGEOMAP Program is being reduced to meet higher priority Department needs.

Question: Since the States match funds, isn't the reduction really twice as much as the Federal reduction?

Answer: Correct. In FY 1986, the State matching funds actually exceeded COGEOMAP Federal funds. Some of these State matching funds were provided by State legislative appropriations specifically targeted to match the Federal funds.

Question: What has been the overall response from the States to this program?

Answer: The States have enthusiastically responded to the COGEOMAP Program. They have consistently offered matching dollars well in excess of the COGEOMAP appropriation, indicating the level of importance they place on geologic mapping and the enthusiasm they perceive for a program that recognizes the mutual need for geologic maps. The States were asked to provide feedback as the COGEOMAP Program developed to ensure that it met their needs effectively; as a result, they have been highly supportive of its operation.

As an example, Illinois, which has one of the Nation's strongest State geological surveys, proposed detailed geologic mapping of quadrangles in the southern part of the State. The geologic mapping conducted under COGEOMAP in 1985 resulted in several important discoveries, including (1) new seams of high Btu coals, (2) a new evaluation of fault zones possibly related to the New Madrid-type earthquakes, and (3) newly identified faults with many similarities to ore-bearing faults in an adjacent fluorspar-mineralized district. Recognizing the high value of this geologic mapping project, the State General Assembly appropriated $79K to match Federal funds in

FY 1986. The project has received local and national newspaper and television coverage. Cooperative programs in many other States have been similarly recognized by State legislatures and the news media.

The American Association of State Geologists has strongly supported the COGEOMAP Program, issuing in June 1985 a resolution that endorses the concepts of the program and "strongly urges that further efforts be made to increase and enhance this worthwhile program, by providing long-term funding at levels commensurate with its potential to help the Nation achieve a sound economy and a healthy environment."

Question: How much in offerings do you expect to get in FY 1986 and FY 1987?

Answer: Each year the COGEOMAP Program has received more in offerings than it could provide in Federal matching dollars, and this oversubscription is expected to continue. At the program's inception in FY 1985, the States offered $2.2M in funds to match the $1.0M Federal appropriations; in FY 1986 they offered $2.0M in matching funds. The States proposed minimum funding levels for only their most important geologic mapping needs because they anticipated only $1.0M in Federal matching funds each year.

Based on the FY 1986 increase in Federal matching funds, the States are expecting to offer a minimum of $3.5M in FY 1987. Preliminary discussions with State officials indicate that (1) many States that are presently cooperating will offer funds at about the same level as FY 1986, including about six States that will propose new projects to replace projects that will be finished in 1986; (2) at least 12 presently funded States will propose major increases over FY 1986 offerings to reflect new project starts or shifts in emphasis; the increases will minimally total $1.1M; and (3) at least nine States not presently funded will offer new proposals totalling a minimum of $900K in cooperative funds.

Question: What is your assessment of the overall quality of the State proposals?

Answer: The overall quality of the State proposals is very good, particularly in view of the extreme breadth and scope of the subject matter needed to address geologic problems in the individual States. The COGEOMAP Program requests informal preliminary proposals from States so the USGS can provide early assessment and feedback on ways to strengthen project design. Resulting formal proposals tend to be of very high quality and have improved each year.

Question: Do the States' proposals match well with your high-priority areas?

Answer: High-priority areas for geologic mapping, from the Federal perspective, arise from a combination of basic research, hazard, resource, and land-use concerns, all of which are closely tied to geologic provinces rather than political entities such as States. The COGEOMAP Program has done an excellent job of addressing States' needs where they overlap with Federal priorities, and has contributed much valuable geologic mapping within Federal high-priority areas. However, the State proposals through COGEOMAP only partly match the Federal high-priority needs for geologic mapping.

Question: Why were the two sites for deep continental drilling chosen? (p. 103)

Answer: A program of scientific drilling at Cajon Pass, California, 40 miles northeast of Los Angeles, was selected because the site provides a unique opportunity to understand the movement of crustal plates along the hazardous San Andreas fault. The drillhole is located in an area of high earthquake potential near the point where the San Andreas fault and the San Jacinto fault intersect. A drillhole at this locality will provide critical information on the crustal properties and deep structure of southern California and will be instrumented as a Deep Earth Observatory for earthquake prediction monitoring when the drilling and related measurements are completed. A program of scientific drilling in the Creede district of Colorado was also selected because it presents an exceptional opportunity to establish the physical connection between ore minerals deposited along the top of a deeply circulating hydrothermal system and the roots of that system.

Question: Who pays for the actual drilling?

Answer: The cost of deep drilling, coring, and some geophysical logging and scientific experimentation is paid by the National Science Foundation through DOSECC (Deep Observation and Sampling of the Earth's Continental Crust, Inc). From time to time, a modest amount of shallow drilling will be paid for with Geological Survey funds.

Question: What is paid for by Geological Survey funds?

Answer: USGS funds pay for downhole measurements and sampling; geological and geophysical site characterization studies; core handling, testing, and storage; a modest amount of shallow drilling; and scientific study and analysis of samples, core, and other geological and geophysical data to develop models and concepts.

Question: When will these wells be drilled?

Answer: Drilling at Cajon Pass, California, is scheduled to begin in November 1986. Two holes are scheduled to be drilled in the Creede, Colorado, mining district in FY 1988.

Question: Are other wells under consideration?

Answer: Yes. The Continental Scientific Drilling Program, sponsored principally by the National Science Foundation, the

Department of Energy, and the USGS has a continually evolving list of drilling priorities.

Question: Where? Why? When?

Answer: Potential future drilling sites include:

- Parkfield, California--to characterize the nature of the processes responsible for medium-sized earthquakes; to detect changes in fault zone properties before such events; and to identify coseismic changes in the crustal state within and adjacent to the fault zone. FY 1988.
- Continental Interior--to determine the manner and the geometry by which the continental land masses evolved from their original cores to their present size and configurations; includes drilling shallow holes and piggybacking onto industrial "holes of opportunity". The holes will be drilled each fiscal year, starting in FY 1986.
- Long Valley, California--to study an active hydrothermal/magma system. Date uncertain.
- Southern Appalachians--to provide a better understanding of the interior of mountain belts; the mechanisms of transport of large-scale crustal fault sheets; and the geological settings of potential mineral and energy resources. Date uncertain.

Question: When is it expected funds will be requested for them?

Answer: Funds will be requested on a continuing yearly basis.

Geomagnetism program

Question: What effect do the proposed reductions in your geomagnetism program have? (p. 109)

Answer: The proposed reduction in the Geomagnetism program will result in a decrease in the availability and reliability of magnetic data required for production of nautical and aeronautical navigation charts for accurate guidance, tracking, and location of satellites, space vehicles, aircraft, and ships at sea.

Question: Will data be less accurate?

Answer: The reduction in the quantity and availability of data will degrade the accuracy of the overall data set used to construct models to infer magnetic values across the Unitd States.

Question: What is the effect of less accurate data?

Answer: Geomagnetic surveys and maps will be less reliable.

Question: How does the proposed closing of the two observatories affect data quality?

Answer: The proposed closing of the observatories in Barrow, Alaska, and in Newport, Washington, will eliminate two important sources of geomagnetic data used to identify short- and long-term magnetic variations.

Mineral Resource Surveys

Question: What is the significance of combining surveys in Alaska, the conterminous United States, and public lands all into one activity?

What is the planned FY 1987 funding for each of these categories in FY 1986 and FY 1987?

Answer: The aggregation of program elements acknowledges a commonality of purpose and a functional coordination that is occurring presently. The Geological Survey conducts mineral resource assessments throughout the Nation at varying levels of detail depending on the nature of the issues to be addressed. Programs in Alaska, the conterminous United States, and wilderness or wilderness study areas were developed at different times in response to legislative requirements or to needs for specific information on which to base land-use or exploration decisions. Each program, however, has utilized similar methodology and technology, and each fulfills part of the same basic mission responsibility of the Geological Survey to evaluate the Nation's mineral endowment.

The funding in FY 1985, FY 1986, and FY 1987 are shown in the table below:

Program Summary ($ in thousands)

	FY 1985	FY 1986	FY 1987
National Mineral Resource Assessment Program	23,665	24,852	20,207
Regional Studies	15,274	16,360	15,873
Conterminous United States	(5,873)	(5,782)	(5,895)
Alaska	(9,401)	(10,578)	(9,978)
Mineral Resources of Public Lands	8,391	8,492	4,334

Question: Why is the public lands program being so drastically reduced ($4,158,000)?

Why is the report preparation being deferred in 1987 only to be accelerated later in order to meet Congressional deadlines?

Isn't a steady workload preferable to decreases followed by accelerations?

How much work (manyears and dollars) is being deferred?

Answer: The FY 1987 President's Budget proposes a reduction of $4,758,000 to the Mineral Resource Surveys subactivity, which includes a decrease of the $600,000 for mineral surveys of the Steese-White Mountains area in Alaska. The remaining decrease is applied to mineral land assessment activities for both the Forest Service and BLM.

The staffs of the Geological Survey, Bureau of Mines, and Bureau of Land Management have had extensive discussions on how best to meet the mandate for completion of the BLM studies by 1991, and have developed a revised schedule for completion of the studies within available funds that will have a net effect of adding one year to final completion of the program. Completed reports on all acreage currently in the schedule will be submitted to BLM by September 30, 1990.

At the request of BLM, we have agreed to defer report writing in FY 1987 in order to begin fieldwork on all areas that remain to be studied. This option achieves the required reduction in workload, while minimizing the overall delay in final completion of the reports, inasmuch as more than one season of fieldwork is required in most areas before reports can be completed. This will require an accelerated reporting schedule in the following three fiscal years to meet the deadline. Personnel scheduled to prepare reports will be shifted to undertake additional field-studies, and then return to prepare reports for previously studied areas, as well as the current study areas.

The net impact on manpower in FY 1987 will be a deferral of approximately 19 manyears of work, and $2.4 million of budget authority.

Question: What is your overall schedule by year for acreage under study for BLM wilderness studies?

-- A footnote on page 119 with regard to even the reduced workload says that "...the planned workload cannot be accomplished within the FY 1986 and FY 1987 funding levels". This same footnote appears with regard to the Forest Service on page 121.

-- Will you meet the workload requirements?

-- If so, how?

-- Your answer to a Committee question last year (p. 500) indicated you would take the funds from other mineral resource assessment activities.

-- Is that correct?

-- How is this accomplished?

-- What is the magnitude of such costs?

Answer: The tentative overall schedule for completing mineral surveys of all BLM wilderness study areas is tabulated below. Completing this workload will provide the BLM with mineral survey reports one year ahead of their mandated 1991 deadline for final actions on wilderness recommendations. This schedule is still under review, but we believe it is reasonable.

Planned Workload (millions of acres)

	FY 1986	FY 1987	FY 1988	FY 1989	FY 1990
Field survey starts	2.3	0.8	0.0	0.0	0.0
Second year field surveys	2.3	2.3	0.8	0.0	0.0
Total field surveys	4.6	3.1	0.8	0.0	0.0
Report preparation	0.4	0.0	2.7	3.8	1.1
Total under study	5.0	3.1	3.5	3.8	1.1

We will meet the requirements of the workload schedule by focusing CUSMAP activities, where possible, on BLM study areas, and by deferring or extending other CUSMAP activities that have no mandated deadlines.

By bringing the CUSMAP program to bear on the BLM workload, the Geological Survey, in effect, will be contributing an estimated $1.0 million of CUSMAP effort to the objectives of the Mineral Resources of Public Lands program in FY 1987. The staff of BLM has advised us that an additional 679,000 acres for study has been identified that was not included in the scheduled workload above. Undertaking this newly identified workload will increase the requirement to refocus CUSMAP by as much as an additional $1.0 million, for a total of $2.0 million.

Question: With regard to Forest Service lands you say on page 120 that "prioritized needs will be accommodated in the overall agency mineral assessment program...".

-- If so, why are public lands-related activities budgeted separately?

-- How much of your other budget activities are directly involved in the Forest Service requirements?

-- Your workload data (p. 121) indicates that regional studies of national forests will be terminated in FY 1987.

-- Were they complete?

-- Why are they being terminated?

-- Your budget also says on page 120 that the Survey, the Bureau of Mines, and the Forest Service are developing a coordinated plan for mineral resource information on Forest Service lands.

-- How will you do this in light of the significantly reduced budget?

Answer: The program Mineral Resources of Public Lands (MRPL) program element had been retained as a separate line item in prior budget years because funds for the heavy workload of wilderness mineral inventories of Forest Service lands from 1965-1983 were provided within the Geological Survey budget and funding for mineral surveys of BLM lands also has been included within the USGS budget since FY 1983. In practice, the mineral surveys of Forest Service (and BLM) lands are carried out in close coordination with other mineral resource assessment program elements inasmuch as they: (1) utilize the same methods, people, and analytical capabilities; and (2) address the same mission responsibility of the Geological Survey to provide credible assessments of the Nation's mineral resources on which long-range policy decisions on resource management and land use and short-range exploration decisions by industry may be based. The subordination of MRPL as a component of a National Mineral Resource Assessment Program in the FY 1987 Budget Justification reinforces the interaction between assessment program elements and eliminates the arbitrary boundaries between them.

No other budget activities directly support the Forest Service requirements.

The Geological Survey had planned to start mineral resource assessments of three national forests in FY 1986 and to complete them in FY 1987. The staffs of the Geological Survey and the Forest Service have agreed to focus efforts on one national forest in FY 1986 and the USGS will defer work on preparing forestwide reports on the remaining two forests, the Toiyabe and Deerlodge. However, legislatively critical areas within the Toiyabe National Forest are being studied in fiscal year 1986, and reports on these specific areas will be provided to the Forest Service as soon as possible thereafter. Mineral resource assessments of the Tonopah, Nevada and Walker Lake, Nevada-California, 1:250,000 scale quadrangles are currently being prepared. These quadrangles contain almost all of Toiyabe National Forest, and the information will be provided to the Forest Service as soon as final manuscripts are available. In Montana, mineral resource assessments are being prepared for the Butte and Dillon 1:250,000 quadrangles, which contain most of the Deerlodge National Forest. The USGS will also complete a survey of the Challis National Forest, which contains six roadless areas that have not been studied previously, but which may be included in the Idaho Wilderness bill.

A total of 13 additional forests have been proposed by the Forest Service for study in support of their forest-wide planning process. The Survey will attempt to make mineral resource information available to the Forest Service in these areas in time for the next round of forest plannng which is expected to occur in the mid 1990's. As the BLM workload decreases in the 1989 to 1990 timeframe, it is possible that the Survey may be able to complete reports for many of the requirements that the Forest Service has identified to date.

Question: How much cooperative funding is received in your mineral resource assessment work? From whom?

Answer: In FY 1986, the Geological Survey is conducting mineral resource assessments of five 1:250,000-scale quadrangles in cooperation with the State geological surveys of Arkansas, Georgia, Idaho, Kansas, Minnesota, Missouri, Nevada, South Carolina, and Utah. However, the cooperative effort consists of in-kind services such as manpower for fieldwork, sample analyses, and map and report compilation and review; no funding is exchanged.

Energy Geologic Surveys

Question: In the coal investigations program you are reducing the level of effort in the face of increasing demand. Why? (p. 133, 136)

Answer: The reduction in funding of $2.2 million for the coal investigations program reflects the effort to balance the Federal budget by reducing lower priority programs.

Question: Shouldn't activity increase if a new leasing program is contemplated?

Answer: Demand for new Federal coal leases is not expected to be large for the immediate future. According to the Office of Technology Assessment, a large number of existing Federal coal leases will not be brought into compliance under Section 3 of Federal Coal Leasing Amendments Act because demand for new coal supplies from Federal lands is not growing fast enough to absorb that much coal. However, there is a continuing need to improve the Nation's knowledge of coal quality and distribution to provide a better basis for making public policy with regard to coal development and utilization should a surge in demand for coal develop. Furthermore, knowledge about coal quality from all sources, Federal and private, is needed to aid in the control of acid rain. There is funding in the fiscal year 1987 budget for these activities.

Question: Do you have sufficient data in areas that will be considered for the new leasing program?

Answer: The adequacy of coal data for Federal lands is variable, so that this question cannot be answered directly without knowledge of where new coal leases will be applied for. The U.S. Bureau of Land Management (BLM) has the coal-leasing authority and as such receives all expressions of interest for leasing of Federal coal. As a general rule, however, more is known about the quantity of coal than is known about the quality of coal on unleased Federal coal lands and this is true of all non-Federal coal lands also. Consequently, USGS will concentrate most of its resources for coal investigations on the quality rather than the quantity of Federal and non-Federal coal.

Question: You are decreasing state cooperative programs. Doesn't this result in the loss of State as well as Federal funding?

Answer: While a decreased level of State funding may be expected, the USGS knows of no explicit links between the levels of Federal funds for the State-National Coal Resources Data System (NCRDS) Co-ops and the shares each State puts into those co-ops. Final levels of State funding will probably depend on the commitment of each State to the assessment of its own coal resources.

Question: For what is the National Coal Resources Data System used? (p. 134)

Answer: The National Coal Resources Data System (NCRDS) is used by Federal and State agencies and private industry to store, retrieve, and update data on coal quantity and coal quality; to derive coal resource assessments; to integrate quantity, quality, and geographic data; and to provide data for specialized studies of coal usage. These tasks can be accomplished at any scale, commensurate with the density of data, and the reliability of the results of any computation can be expressed explicitly in terms of the data available to make those computations. Output can be in tables, graphs, maps, and three-dimension diagrams suitable for publication.

Question: Of what use is it in valuation of reserves for leasing decisions?

Answer: NCRDS is directly applicable in the valuation of coal reserves for leasing decisions. NCRDS provides an automated means for objectively computing reserves for a variety of lease and coal-supply configurations from a single data set and for calculating the reliability of the results of its computations. These results may subsequently be integrated with data on mining costs and coal prices to complete the lease valuation process. An assessment can be made on either a local or a regional basis.

Question: What is the extent of your effort with the Department of Energy in unconventional petroleum resources?

Answer: The Survey's cooperative effort with the Department of Energy in the area of unconventional petroleum resources includes the geologic, geochemical, and geophysical characterization of gas hydrates, the Western tight gas sands, and of the convergent plate margins for possible deep thermogenic gas occurrences. The ultimate goal of these studies is to model and predict occurrences for the development of exploitation techniques and to provide geologically based resource estimates of gas in place.

Question: Do you receive any funding from DOE? If so, what organization?

Answer: Yes, the Survey receives funding from the Department of Energy's Office of Fossil Energy.

Question: What is the potential significance of gas hydrates?

Answer: While initially considered a hazard due to unpredicted decomposition, gas hydrates from an energy resource point of view have a two-fold significance. First, because the gas hydrates contain methane, they are in themselves a source of energy. Because what is known at this time about their areal distribution is still very limited, any resource estimate is therefore highly speculative. However, the limited amount of geological data makes it apparent that very large quantities of natural gas may exist within the hydrates. As an example, preliminary estimates suggest that more than 360,000 trillion cubic feet (1015 m3) of methane may be present in the sediments along the margin of the Arctic Ocean alone, not accounting for similar occurrences elsewhere. For comparison, this is more than 600 times the undiscovered recoverable natural gas resources in the entire United States. The second significant aspect of gas hydrates is that they may be present, under certain conditions, as an impermeable seal in sediments of the continental margins below which migrating gas could be trapped, possibly in significant amounts.

Question: Where are such hydrates located?

Answer: Gas hydrates are known to occur beneath or associated with permafrost along the North Slope of Alaska. Other occurrences of hydrates have been detected by seismic surveys on the Blake-Bahama Outer Ridge, on the continental slope off the southeastern United States, in the western Gulf of Mexico, along the west coast of northern California, and in the Beaufort and Bearing Seas.

Question: What is the potential significance of deep gas from plate margins?

Answer: The existence of deep source, organic-origin gas, generated from sediments that have been tectonically subducted to great depths, and from deeply buried sediments in fore-arc basins, are still hypothetical as none have been proved by drilling. However, if just a fraction of the gas thought to be present were recovered, the change in the world's energy situation would be significant. For example, based on detailed geologic studies, it has been speculated that sediments that were subducted along the Aleutian Trench during the last 20 million years could have generated as much as 212 trillion cubic feet of gas so far. In addition, fossil versions of such subduction zones are becoming identified with increasing frequency on land such as in western Washington State. These zones contain thick deeply buried prisms of sedimentary rocks that could be explored, and if proved to be gas bearing, could significantly change the Nation's energy resource base.

Question: What is the status of both your onshore and offshore oil and gas resource assessments?

Answer: A schedule of tasks and milestones has been established with the Minerals Management Service for revision of offshore oil and gas resource assessment. For the onshore part, the USGS is proceding with both the appraisal of Federal Lands and preparing a nationwide summary using a detailed play-analysis approach.

Question: When is each expected to be completed?

Answer: Both assessments are expected to be completed by April 1988.

Question: Please explain the difference between the administration of the National Uranium Resource Evaluation (NURE) data base in your energy surveys program (p. 141) and the activity in Data Production and Dissemination in the EROS program. (p. 55)

Answer: The EROS program strictly archives and distributes NURE data per arrangement with the USGS managers of the NURE program, who are responsible for the scientific use, analysis and interpretation of NURE data and for reports as required by DOE.

Question: Please provide for the record the areas where you will survey radon concentrations for EPA. (p. 142)

Answer: The areas that will be surveyed are presently being evaluated jointly by EPA and the USGS. EPA's decision on which areas shall be investigated in detail is expected in July. We anticipate that 20 small areas, representative examples of a range of geologic settings and environments, will be surveyed.

Question: In the face of declining demand for domestic uranium, why is it necessary to continue a level program in uranium investigations?

Answer: The Uranium Investigations program is not only a resource-evaluation activity; a major part of it is, and always has been, the evaluation of uranium-related hazards, such as radon, presently of considerable concern, the toxic effects of uranium in solution, such as in ground water, the residual radioactivity in mine sites and other problems concerning health and safety. More fundamentally, the small uranium program is providing the Government its only source of information on an important energy commodity that may become even more important in the future if energy circumstances change.

Question: Please describe how the Survey and DOE cooperate in geothermal investigations. (p. 145)

Answer: The USGS and DOE cooperate in several ways in geothermal investigations. Where both agencies have an interest in the same geothermal area, it is common for USGS- and DOE-supported investigations to be carried out simultaneously, particularly in the mutual collection of field data. An ongoing USGS geochemical study of the origin and recharge of fluids of western United States geothermal areas, for example, is being conducted cooperatively with DOE reservoir engineering studies of geothermal production zones. USGS studies are generally directed toward understanding of entire geothermal systems, i.e., reservoirs, heat source, recharge regions, and the encompassing geologic and hydrologic regimes. DOE typically conducts detailed investigations of individual reservoirs within a geothermal system.

On several occasions DOE has provided supplemental funding to USGS geothermal projects. These supplemental monies have permitted more detailed analyses, expanded areas of investigation, and/or accelerated project accomplishment. A recent example is a USGS project that is performing electrical surveys of geothermal areas in the Cascade Range. The project has received supplemental DOE funding to increase data coverage for definition of the geothermal reservoir at Newberry Crater in Oregon.

The USGS and DOE have also combined resources to undertake more ambitious geothermal projects of common interest. The Salton Sea Scientific Drilling Program, for example, is jointly supported by the USGS, DOE, and the National Science Foundation. This project has just successfully drilled, tested, and logged a well over 2 miles deep in the Imperial Valley of southern California that was drilled into the roots of the hydrothermal systems of the Salton Sea geothermal field.

USGS and DOE geothermal projects are coordinated through frequent meetings of individual project investigators, program management staffs, and multiagency organizations including the Interagency Geothermal Coordinating Council and the Interagency Coordinating Group for Continental Scientific Drilling.

Question: Do you receive funds from DOE? If so, how much?

Answer: Yes, on several occasions DOE has provided supplemental funding to USGS geothermal projects. In FY 1986, DOE geothermal support to USGS projects is expected to total about $250,000, primarily for geochemical studies of geothermal fluids, seismic surveys, transport properties of rock governing heat flow in geothermal systems, and characterization of fractures in geothermal systems.

Question: Do you contemplate drilling wells? If so, where? At what cost?

Answer: No. The USGS Geothermal Investigations Program does not include the drilling of any wells, even though subsurface data would provide useful information for geothermal resource characterization and assessment.
The current level of funding of this program does not permit the expenditure of funds for the expensive costs associated with drilling research wells.

Question: What is industry's interest in the assessment of geothermal resources in the Cascades? (p. 147)

Answer: Despite the economic downturn in the alternative energy industries, the geothermal industry is continuing to explore in the Cascades, most prominently at Newberry and Medicine Lake volcanoes, but also in the main Cascade chain of Oregon. Interest of the electrical utility industry is demonstrated by the continuing efforts of the Northwest Power Planning Council to determine how geothermal power will fit into the long-term electrical power mix in the Pacific Northwest. Current interest is demonstrated by recent instructions from the Council to the Bonneville Power Administration to confirm 100 MW of electrical power from the Cascade Range.

The Cascade Range is the major frontier province for geothermal exploration in the conterminous United States. By analogy with other volcanic areas around the world, the young and continuing volcanic activity indicates that there should be substantial geothermal resources in the Cascade Range. In addition, measurements of conductive heat flow suggest high temperatures at depth throughout the Cascades. Yet surface manifestations such as hot springs and fumaroles are sparse, and no major geothermal reservoirs have yet been found and developed. Increasing evidence suggests that this apparent inconsistency may be due to masking of deep geothermal reservoirs by a regional zone of cold water perhaps as much as 3 km thick. USGS drilling in 1981 and a recent drilling cooperative between private industry and DOE has shown that this hydrologic masking indeed exists at Newberry Volcano, just east of the Cascade Range proper.

Much of current USGS effort in the Cascade Range is an attempt to evaluate this hypothesis of hydrologic masking, using (a) hydrologic and hydrogeochemical studies of promising areas, (b) electrical and electromagnetic studies to define "blind" hydrothermal convection systems, and (c) state-of-the-art seismic studies to define deep bodies of molten rock (magma) that constitute the driving thermal force for overlying exploitable hydrothermal convection systems.

The activities of the exploration and utility industries in the Pacific Northwest are critically dependent on the regional analysis, evaluation, and assessment of the Cascades being performed by the Geological Survey. Without this scientific evaluation of the hydrologic masking and the role of magma bodies at depth, geothermal exploration in the Cascades is simply wildcatting based on hunches and the availability of land. The USGS efforts provide the essential context for site-specific exploration and evaluation and, in cooperation with DOE and industry drilling, will provide the definitive analysis of how much geothermal energy might be produced from the Cascade Range.

Question: Why is this assessment being postponed?

Answer: A quantitative assessment of geothermal resources in a region such as the Cascades is a statement at a given point in time of the amount of geothermal energy that might be produced under generalized economic assumptions. An assessment or inventory can be made at any point in time, but its validity and ultimate usefulness is critically dependent upon the size and quality of the data base at that point in time. As part of the 1978 national geothermal assessment, the USGS prepared a preliminary estimate of the geothermal resources of the Cascades. But this 1978 estimate of the Cascades was fraught with uncertainties, owing to the paucity of thermal manifestations and the few drilling data from this exploration frontier. A greatly refined assessment of geothermal resources in the Cascades is clearly needed, but it will be little improved from the earlier one until major scientific questions are resolved (e.g., the question of hydrologic masking and the question of the true distribution and size of magma bodies beneath Cascade volcanoes).

The reduced funds available to the USGS and DOE for geothermal investigations, as well as the reduced exploration budgets of private industry under the impact of currently lower oil prices, have greatly delayed the development of the data base required for an improved geothermal assessment of the Cascades and, accordingly, have caused the completion of the USGS assessment to be postponed.

Question: Has there been an assessment of the geothermal resources on the island of Hawaii?

Answer: Yes. An assessment of the geothermal resources on the island of Hawaii is included in the nationwide USGS geothermal resource assessment that was conducted in the mid-1970s. The study was published in 1979 as USGS Circular 790, Assessment of Geothermal Resources of the United States - 1978.

Question: If so, what is the level of the potential resources?

Answer: Three areas with electrical-grade resources (reservoir temperatures greater than 150° C) were identified. Two areas are located in the East Rift zone of Kilauea volcano, south of Hilo, Hawaii. The potential electrical energy of the two areas may total about 251 megawatts for 30 years. A third area is the fumarolic region on the rim of Kilauea Crater, at the southwest end of the East Rift zone. The area lies within Hawaii Volcanoes National Park, however, and is not available for commercial development.

Private developers have completed 6 wells in the Puna District since 1976, and flow tests indicate good steam production. An initial powerplant, a 3-MW wellhead generator, is installed on one of these wells and has provided reliable electricity for 4 years.

Offshore Geologic Surveys

Question: What is the size of your drilling program with the Canadian Geological Survey on the Gorda and Juan de Fuca Ridges? (p. 153)

-- Why are you deferring a geophysical/geological survey of the Gorda Ridge in FY 1987? (p. 157)

-- How much does this delay your assessments?

-- What is the practical effect?

Answer: The drilling program on the Gorda and Juan de Fuca Ridges, which was planned under a cooperative arrangement with the Geological Survey of Canada, has been postponed to take place not earlier than late 1987. The reason is that the Canadian drill, a one-of-a-kind tool, could not be made available to the USGS in 1986 because sulfides were discovered on the Canadian segment of the Juan de Fuca Ridge, and Canada has given a higher priority to drilling in that area. Two geophysical/geological surveys were planned in FY 1987 to follow up on earlier sonar and multibeam-bathymetric surveys. The combination of the deferred survey and lack of drilling will delay assessment of potential resource occurrence by at least one year. Its practical effect is a delay in the USGS providing an adequate base of information from which mineral potential, and thus industry leasing interest, may be determined.

Question: Your testimony 1st year (p. 512) said you would complete sonar coverage of EEZ by 1991. What is your current schedule?

Answer: Last year the USGS did indicate that sonar mapping of the conterminous U.S. and that of Alaska and Hawaii will be done by 1991. These areas, however, do not represent all of the U.S. EEZ. The Trust Territory of the Pacific, U.S. possessions in the Pacific, and the Virgin Islands and Puerto Rico comprise the rest. The Virgin Islands and Puerto Rico were mapped in FY 1985, as a cost savings measure in tying it to the mapping of the Gulf of Mexico. The present schedule is to map Hawaii's EEZ and the Alaskan EEZ (but not ice-covered parts) through 1990, and the Atlantic Coast EEZ in 1991.

Question: What is the significance of coastal erosion in the United States? (p. 157)

-- What areas of the coasts are subject to the most erosion?

-- What are the underlying causes?

-- What kinds of investigations do you plan to undertake and how are they expected to help mitigate or quantify erosion damage?

-- What cooperative funding are you receiving in this area?

-- Using FY 1986 funding levels as a guide, what kind of a program could be undertaken to study erosion levels and effects and how long might it last?

Answer: Areas of the coast presently experiencing erosion are numerous. The worst case of erosion is along the North Slope of Alaska, followed by Louisiana, North Carolina, Texas, Mississippi-Alabama-Florida Panhandle, Long Island (NY), New Jersey, Florida's East Coast, and Delaware-Maryland-Virginia. The retreat is caused by a combination of factors that include global sea-level rise, storm-damage, man-made diversion of sediment supplied in past times by rivers formerly to the coast now to deep-water areas, subsidence of land by natural sediment compaction processes, and by deflection or arrest of sediment moving along the coast caused by placing engineering structures along the coast.

The current investigations underway include (1) shoreline change evaluation based on comparison of historical data; (2) seismic surveys to map the thickness of sedimentary deposits near the shore; (3) coring into the sediments to evaluate the availability of any suitable material for beach restoration; (4) wave and current measurements to determine their strengths in moving material and causing erosion; and (5) determining the sediment budget (i.e. mass) present along the coast to gauge long-term availability, or lack thereof, of principally sand-sized material. Knowledge of these factors will govern the kinds of remedial measures the States and Federal organizations may undertake. The USGS does not receive cooperative funding; instead, the program in Louisiana supports the participation of the Louisiana Geological Survey's work jointly with the USGS. At the FY 1986 level, the Louisiana studies will require 5 years to complete. Similar studies of other sites would take approximately the same length of time under the FY 1986 funding level.

NATIONAL MAPPING

Advanced Cartographic Systems

Question: What is the status of the revision of the National mapping program from its current technology to new cartographic systems and the use of digital data for all National mapping products?

-- How much has been committed to new equipment through FY 1986?

-- How much is contemplated in FY 1987?

-- What is the estimated total equipment cost of the system?

-- When do you expect it will be fully operational?

-- What is the software cost over comparable periods?

-- How long do you expect it to take to convert all data to digital form, including the backlog of existing data?

-- Once such a system is substantially in place, what are its major benefits?

-- What benefits, if any, can be realized immediately?

Answer: The Advanced Cartographic System (ACS) developments are well underway. Through fiscal year 1986 a total of $3.0 million will have been committed for the purchase of advanced equipment related to the development of new technology and cartographic systems. This procurement was accomplished in conjunction with the Defense Mapping Agency (DMA). During fical year 1987, equipment purchases of $6.8 million supporting ACS are expected. Current projections for software cost are modest as most of the development cost will be covered by DMA. These include $0.8 million in fiscal year 1986; $1.8 million in fiscal year 1987. Total costs for equipment and software are dependent on the final size of the system which will depend upon decisions as it is reviewed annually.

Much of the equipment and software needed for the ACS can be developed and procured in collaboration with the DMA which has requirements similar to those of the Geological Survey. The agreement with DMA specifies that the Geological Survey may receive Government-owned software developed as part of this collaboration at no additional cost to the Survey. The value of this software is substantially in excess of the Geological Survey hardware expenditures. This arrangement has allowed the Geological Survey to realize substantial development with moderate expenditures. The currently proposed ACS program in the FY 1987 budget would not be economically feasible for implementation by the Geological Survey in the absence traditional close cooperation between the civil and military mapping agencies.

The ACS will increase productivity and decrease the time required to produce a map product using digital cartographic data. It will provide digital cartographic data in the National Digital Cartographic Data Base (NDCDB) that can be used in wide variety of applications. In addition, to greatly expand the flexibility of the National Mapping Program by providing opportunities for special tailored products, this digital data will provide the basic geographic framework required by a computer-oriented society. Applications will range from the displays used in electronic navigation systems for automobiles to the geographic information systems used by resource planners. The development of the NDCDB will greatly facilitate efficient map revision and will allow a new degree of responsiveness to users of cartographic data.

At the FY 1987 funding level, we expect to see improving efficiency in digitizing cartographic data starting in fiscal year 1988 and continuing through fiscal year 1993. Unit cost savings will begin in FY 1988 and increase as the data and capacity are available. With the completed system, DMA project a 50 percent savings in cost and production time. We would expect approximately the same percentage of savings when the advanced system is in place.

Question: Is the National Digital Cartographic Data Base actually housed in one location. If so, where? (p.29)

-- What is the cost of maintaining the data base?

Answer: The digital data base for 1:24,000 and 1:100,000 scale data is located at the Eastern Mapping Center at Reston, Virginia. The data base for 1:2,000,000 data, 1:250,000 land-use and land-cover data, and 1:250 DMA elevation data is being transferred to the EROS Data Center in Sioux Falls, South Dakota.

It currently costs approximately $500,000 annually to enter and maintain data in the data base.

Question: What attempts, if any, are being made to digitize current non-digital data? At what expected cost?

Answer: The current state-of-the-art technology concentrates on the digitizing of cartographic data which is in non-digital form, i.e., in the form of a printed map. Technology being developed within the Advanced Cartographic Systems subactivity will eventually permit the development of the capability to collect digital cartographic data from digital sources. The collection of digital cartographic data from current non-digital data is funded in FY 1987 at $13,449 thousand under the Digital Cartography subactivity.

Earth Resources Observation System (EROS)

Question: What is the effect of privatization on the EROS Data Center program?

- What functions remain with the Government?
- What functions are taken over by the private company?
- What services are you performing now that will be taken over by the private compay (EOSAT)?
  - How long will you provide these services?
  - What is the cost of the services?
  - Are you reimbursed by EOSAT?
- What services do you continue to provide to NOAA?
  - How long will you provide them?
  - At what cost?

Answer: As authorized by the Land Remote Sensing Commercialization Act of 1984 (P.L. 98-365), the Department of Commerce awarded a contract in September 1985 to the Earth Observation Satellite (EOSAT) Company. This contract transfers Landsat activities from the Federal Government to the private sector and provides for the development, construction, and operation of Landsats 6 and 7 and related ground data processing systems. The contract provides that Federal funding for Landsat will be phased out over the next 5 years. The contract also gives EOSAT responsibility for operating Landsats 4 and 5 and for Landsat data marketing and sales.

The Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) will continue to provide management oversight for the Landsat program. Under an agreement with NOAA, the EROS Data Center provides Landsat data processing, product generation, and data distribution services. The USGS is being reimbursed $6.7 million for these services by NOAA in fiscal year 1986. These services are expected to continue at the current level at least through 1987 and then decrease as EOSAT brings up its data receiving facility in Norman, Oklahoma, and data handling and processing and user services facility in Lanham, Maryland. When EOSAT shifts Landsat data handling, processing, and customer service functions to its new facililty in Landham Maryland, there will still be a requirement for the EDC to continue to provide limited support to EOSAT for Landsat multispectral scanner (MSS) data processing and product generation which the new facility will not be configured to handle. This support will continue consistent with demand for MSS data and would be funded by either NOAA or EOSAT.

Question: Is there a continuing requirement to archive satellite data?

Answer: Yes. Title VI of P.L. 98-365 required the United States Government to maintain an archive of land remote sensing data for historical, scientific, and technical purposes, including long-term global environmental monitoring. This law also directs the Secretary of Commerce to provide for long-term storage, maintenance, and upgrading of certain data in the archive, to provide access to the data, and to use existing Government facilities for the archive. NOAA and the Geological Survey are currently completing an agreement for this cooperative archive effort.

Question: Do these data have to be purchased from EOSAT in the future?

Answer: The archive will include satellite data acquired from the Landsat series of satellites, from other United States earth imaging systems, and from selected earth resource satellites launched and operated by various foreign governments. Current satellite data holdings at the EDC, will be inventoried, screened, and placed into the archive. Newly acquired Landsat data will have to be purchased for the archive and for use in operational programs from EOSAT or from other sources. In addition, satellite data from foreign earth resource satellite systems will have to be procured from the respective foreign governments.

Question: What specific functions at the Center are funded in the Geological Survey budget?

Answer: Specific functions and activities at EDC funded by the Geological Survey include the following:

- Maintain a growing archive of over 5,800,000 aircraft acquired photographs obtained by Interior, NASA, and other government agencies. Images from the Survey's Side-Looking Airborne Radar (SLAR) program and NASA's Large Format Camera experiment are included in the archive.

- Reproduce and distribute data in the above archive to government and public users.

- Archive, reproduce, and distribute selected digital cartographic data, geophysical data, and other digital earth science data and products to government and public users.

- Produce satellite image maps.

- Produce selected digital cartograhic data to support other survey programs and to support requirement of other Federal agencies.

- o Conduct research and develop systems to handle, process, and use remotely sensed and other spatial earth science data.
- o Conduct research and develop geographic information system technology that can: access digital geographic, cartographic, and other types of earth science data; merge, integrate and process these data; and generate products and provide analytical services.

Question: Will these services be affected by the commercialization of landsat?

Answer: EDC costs include certain common fixed facility or operational costs. As the Landsat data handling and processing functions are shifted to EOSAT's new facility in Lanham, Maryland, the loss of associated NOAA funding to the EDC for carrying out these functions will impact other EROS activities since NOAA funding supports a part of these fixed Center costs which will continue even with reduced Landsat support activities.

Question: Is it expected that EOSAT will operate a separate facility to process landsat data? If so, where?

Answer: Yes. EOSAT's contract with the Department of Commerce provides funding for the development, construction, and operation of a ground data processing and user services facility. Plans are to locate this facility in Lanham, Maryland, and have it operating by 1989. EOSAT also plans on implementing a ground receiving station for Landsat 6 and 7 at Norman, Oklahoma.

Question: If they do, what will be effect on the current EROS Center?

Answer: EDC will continue to process retrospective orders for MSS data for EOSAT since EDC will have the only processing capability for these data at that time. EDC will continue to work cooperatively with NOAA to establish, operate, and maintain the National Satellite Land Remote Sensing Data Archive and Federal remote sensing research and development program at EDC. The EDC is presently installing a receiving antenna and ground data processing system for the reception and processing of Advanced Very High Resolution Radiometer (AVHRR) data to support the various research and resource management programs of the Department of the Interior and its cooperators. EDC will continue the reception, processing, archiving, reproduction, and distribution of these data. In addition, EDC will continue these specific functions that are to be funded in the Geological Survey budget. Greater emphasis will be placed on cartographic and earth science data reproduction and distribution and GIS research to develop improved techniques to access, retrieve, merge, integrate, and exchange digital cartographic and earth science data.

Question: Will you continue to produce map products from the facility or will that be done on EOSAT?

Answer: EOSAT is precluded by P.L. 98-365 from producing enhanced or value added products from Landsat data.

The Geological Survey has been producing experimental satellite image maps since the early 1970's. The Geological Survey will continue to conduct research to evaluate the cartographic applications of new and advanced satellite imaging systems and to develop improved techniques for processing these data and producing improved cartographic products.

Question: What will happen if EOSAT does not receive the operational subsidy of $250,000,000 it is supposed to receive?

Answer: We are uncertain at this time what the full impact might be. We understand that NOAA is now looking at the possibility of alternatives to assist EOSAT in the development and launch of Landsats 6 and 7.

Question: Is the funding in the Administration's budget request?

Answer: The fiscal year 1987 President's budget does not contain any funding for NOAA's continued support for the development and launch of Landsats 6 and 7.

14. Question: What kinds of research activity will not be funded because of the $500,000 budget reduction in EROS? (p.56)

Answer: Research and applications development activities affected would include applications development using data from new and advanced remote sensing systems and selected cooperative application development activities being done with other Geological Survey divisions, Interior bureaus, or other Federal and State agencies.

Primary Mapping and Revision

Question: The FY 1987 budget reduces expenditures for primary mapping by almost 29 percent ($8,400,000). How much longer will it now take to complete first-time mapping of the country?

Answer: Budget reductions in primary mapping result in a delay in the completion of initial national coverage by 1 year, from 1989 into 1990. Part of the reduction includes a shift of funds to map revision and is in accordance with the planned phasing down of new mapping.

Question: What kinds of areas remain to be mapped?

Answer: Most of the remaining areas to be mapped are in the less populated regions of the country. However, based on OMB Circular A-16 responses, and those from State Mapping Advisory Committees, Federal and State agencies have identified a need for these maps to meet present and near-term program needs. Among those requesting these areas to be mapped are the Forest Service, Bureau of Land Management, Agricultural Stabilization and Conservation Service and several State resource management agencies.

Question: Part of the reduction is a transition to increased revision of maps. What effect will the increase in revision funding have on the backlog of maps in need of revision? Despite the increased funding for revisions the number of quadrangles revised drops. Why? (p. 31)

Answer: Increased funding for map revision will accelerate the program to upgrade approximately 20,000 deficient and substandard maps. Funding to meet the standards acceptable for digitizing and adding the data into the National Digital Cartographic Data Base within the next 15 to 20 years is the goal of the primary mapping and revision transition plan. In addition, increased funding will allow a more timely updating of about 57,000 primary quadrangle maps, including those in Alaska.

The nature of the inventory of published maps needing revision is such that it is necessary to increase emphasis on complete revision--the correction of all categories of data comprising a map. The number of maps being revised each year is reduced because complete revisions take longer to complete and are more costly to produce.

Question: What efforts are underway to digitize existing map data?

-- Is the data digitized when maps are revised?

-- Is any data from existing maps changed to digital data?

-- How much of your effort is geared to digital data?

-- What portion of standard map data is now digitized?

-- When will all data be in digital form?

Answer: In fiscal year 1987, approximately 82 percent of the Digital Cartography appropriation will be expended on digitizing existing map data. Approximately $2.0 million will be spent on collecting digital elevation data directly from aerial photographs and the remaining $0.5M will be spent on data base management.

Cartographic data are digitized in response to expressed requirements of users of these data and are not usually based on map revision schedules. The scheduling of revision and digital cartographic data collection are coordinated whenever possible. For example, the Geological Survey is working with the State of Massachusetts on a plan to digitize the entire State on a schedule following the complete revision now underway. When digital techniques progress, maps will be revised directly using digital techniques, but today, we are limited to revising maps using graphic procedures and digitizing map data as a separate operation.

Digital cartographic transportation and hydrographic data at 1:100,000 scale have been collected for over half the conterminous U.S. This project in support of the Census Bureau is scheduled for completion at mid-year, fiscal year 1987. Collection of other data at 1:100,000 scale is scheduled for completion in the early 1990's. Digital cartographic data at 1:24,000 scale is complete for approximately 8 percent of the Nation excluding Alaska.

Base categories of map data at both 1:24,000 and 1:100,000 scales for the whole country are projected to be completed within the next 15 to 20 years, contingent upon continued adequate funding.

Digital Cartography

Question: Is your cooperative program with the Census Bureau still on schedule for completion by mid-FY 1987?

Answer: Yes, our cooperative program with the Bureau of the Census to collect digital hydrographic and transportation data is on schedule. March 1987 is the projected completion date.

Question: Your budget indicates the beginning of a 3-year program in FY 1987 to digitize the Public Land Survey System (PLSS) data at BLM. (pg. 36)

-- What is the split of workload between the Survey and BLM?

-- Who pays for the digitization?

-- What is the cost in FY 1987?

Answer: The 3-year program to digitize the Public Land Survey System data is a Survey responsibility and is coordinated with BLM. Rather, this is a Geological Survey effort to complete the data base of digitized planimetric data at 1:100,000-scale. All costs will be funded by the Geological Survey. Estimated costs for fiscal year 1987 are $1.5 million.

Question: Your budget says you have expanded your digital cartographic coordination activities in response to actions by the Department of the Interior and OMB. (p. 37) Please explain this statement.

Answer: In October 1982, the Secretary of the Interior designated the Geological Survey as the lead agency and chair of the Interior Digital Cartography Coordination Committee. In April 1983, OMB named the Department of the Interior as the chair of the Federal Interagency Coordinating Committee on Digital Cartography (FICCDC). In March 1986, OMB rechartered FICCDC for another 3 years. Both committees have been charged with providing coordination to avoid wasteful duplication in activities related to the collection and dissemination of digital cartographic data. A current focus of the FICCDC relates to standards associated with the exchange of data among agencies.

Small, Intermediate and Special Mapping

Question: The budget calls for a 26 percent reduction in intermediate scale mapping, which results in a 44 percent reduction in mapping products. Why? (p. 40, 41)

Answer: The apparent 44 percent reduction in products reflects a different product emphasis in fiscal year 1987 than for the 3 preceeding years. During fiscal year 1984-1986, intermediate scale production using direct appropriated funds was concentrated on nationwide completion of 1:100,000-scale planimetric editions needed to generate digital cartographic data for the 1990 Decennial Census. These bases serve interim needs of the Census Bureau and represent only part of the cost to prepare standard topographic editions. With the completion of planimetric editions in fiscal year 1986, program emphasis now returns to completion of standard topographic editions.

In actual product terms, the 26 percent proposed reduction in funding would result in a 20 percent (from 150 to 120) decrease in standard topographic maps completed. Intermediate-scale maps in county format are prepared on a jointly funded basis would and not be affected by the proposed decrease.

Question: This results in a 3-year delay in topographic maps at a 1:100,000 scale.

— What is the impact of such a delay?

— Who would use such maps?

Answer: The delay will impact our ability to complete 1:100,000-scale topographic maps requested by BLM, U.S. Forest Service, Fish and Wildlife Service, MMS, and by Geological Survey scientists to support a variety of resource management exploration, regional planning, and thematic data base needs. A substantial backlog of deferred topographic edition has resulted from program emphasis on planimetric base production to meet Census Bureau needs during fiscal years 1984-1986.

Question: A $575,000 decrease in small scale and special mapping will reduce special map products by 50 percent. (p. 43)

— What kinds of customers will be affected?

— Your budget states that you will continue to do special mapping on a reimbursable basis. (p. 43)

— What are your actual and projected reimbursements for FY 1985, FY 1986, and FY 1987?

Answer: The reduced production of directly funded special map products such as thematic maps, satellite and other image maps, and specially formatted reference maps and graphics will affect planners, resource managers, and scientists at many levels of government. A variety of these products are prepared to meet the special needs of the Department and Congress. The decrease will also affect our ability to prepare partially reimbursed (cost/share) special map products requested by other Federal agencies.

Actual special mapping reimbursements for fiscal year 1985 totalled $1.1 million and a similar level is projected during fiscal year 1986. A reduced reimbursement level of perhaps $0.9 million is projected for fiscal year 1987 since some special maps are prepared on a partially reimbursable basis and will be impacted by the decrease.

Federal Land Information System

Question: How does your Federal Land Information System (FLIS) tie-in to other land information systems being developed or already in use in other agencies?

Answer: The Federal Land Information System (FLIS) is being designed to incorporate date on Federal land ownership, specific mineral exploration and development restrictions, mineral resources, and other earth science and cartographic data on all Federal lands. The FLIS data base will access and incorporate selected data from other land information systems, including the BLM Automated Land and Mineral Record System (ALMRS), the BOM Inventory of Land Use Restraints (ILURP) and the USFS Land Ownership Management System (LOM).

Is this system expected to be a universal government system superimposed on all other systems containing data on Federal lands?

Answer: No, it is not intended as a superimposed universal system, but it is intended to be flexible enough to incorporate certain levels of other agency data. A primary goal of the FLIS is to provide users with the opportunity to access a variety of kinds of data related to Federal lands at any particular location. The sources for the data will be referenced in the system and FLIS users will be encouraged to access those sources when greater detail or other kinds of information are desired.

Who are the ultimate users of such a system?

Answer: The users of FLIS will include Federal agencies, State agencies, and private entities. A user requirements survey conducted for the Federal Mineral Lands Information System (FMLIS), the predecessor to FLIS, identified 13 Federal agencies and several State and private entities whose representatives expressed a need for better access to status and mineral information concerning Federal lands.

Question. When would you expect such a system to be in place?

We intend to develop the data base in the Western States on a state-by-state basis and in the Eastern States on a multi-State basis. As these areas are completed, they will be put in place for use. The rate of development of the data base is entirely dependent on the availability of multi-agency source data.

Question. Are any parts of the system operational? With what results?

Answer. Yes. The State of Alaska FMLIS data base is operational. It currently has ten data layers covering most of the State. It will be upgraded with additional status, minerals, and earth science information during fiscal year 1987 and 1988.

The analytical and display capabilities of the State of Alaska FMLIS GIS were successfully demonstrated in November 1985, and we have been responding to requests for products.

Land-Use and Land-Cover Mapping

Question: Where is the production of land-use and land-cover mapping centered?

Answer: Production of land-use and land-cover mapping is centered in the National Mapping Division's Mid-Continent Mapping Center at Rolla, Missouri. This production is limited and includes remaining portions of the conterminous United States where we have had continuing difficulty in obtaining full photographic source coverage needed to complete map compilation. These areas are western Texas, the northern Rocky Mountains and scattered areas in the northern Great Plains and upstate New York. Production of digital land-use and land-cover data from the graphic products in Rolla, Missouri, is centered in the Division's Eastern Mapping Center at Reston, Virginia, with some phases accomplished by contract. Preparation of Landsat derived land-use and land-cover maps and digital products for Alaska is centered at the EROS Data Center at Sioux Falls, South Dakota.

Airborne Profiling of Terrain System (APTS)

Question: What is the status of the airborne profiling system developed?

-- When will it be operational?

-- How much will it cost to operate?

-- Where are those costs provided in the budget?

Answer: Flight testing of the prototype Airborne Profiling of Terrain System (APTS) began 2 years ago with performance evaluation test flights. After proving that the accuracy design goals had been met, a series of application tests were performed in the Boston area. During the summer of 1985, APTS, was treated as an operational system and was used in two production projects:

- An experiment, requested by the U.S. Army, to measure the performance of an airborne Global Positioning System (GPS) receiver.

- A project to define the topography of the Great Salt Lake Desert in support of the West Desert Pumping Project. At the request of the State of Utah, 1,200 miles of profile data was gathered.

In fiscal year 1985 APTS was funded at about $1.2 million including $300,000 in reimbursable funding from the U.S. Army and the State of Utah. Base maintenance costs of approximately $400,000 per year are funded within the Advanced Cartographic Systems subactivity when fixed costs are not met through user charges.

Cartographic and Geographic Information

Question: Where is the National Cartographic Information Center?

-- Does it have other satellite locations?

Answer: The National Cartographic Information Center (NCIC) headquarters office is in Reston, Virginia. Regional NCIC offices are located at the Mid-Continent Mapping Center in Rolla, Missouri; at the National Space Technology Laboratories Station in Bay St. Louis, Mississippi; at the Rocky Mountain Mapping Center in Denver, Colorado; at the Western Mapping Center in Menlo Park, California; and the Alaska Office in Anchorage.

There are currently 44 NCIC State affiliate offices which have access to the various NCIC information data bases also serve the public.

Side-Looking Airborne Radar (SLAR)

Question: What results have you gotten from your increased efforts to promote SLAR data?

Answer: It is not possible at this time to define the contribution to increased sales which can be directly attributed to the Geological Survey's SLAR public awareness effort. Although sales have increased (for example: $17,616 in fiscal year 1983 to $51,790 in fiscal year 1985). As requested in the House Conference Report (No. 98-399) for fiscal year 1984, the Geological Survey conducted a program to promote and market radar data. The increase in sales may be attributed to increased areal coverage as well as to increased public awareness.

Question: What are your actual and projected sales for FY 1985, FY 1986, and FY 1987?

Answer: -- The following table shows the actual sales for SLAR data for the period from FY 1983 through February 1986. The projected sales were computed each year based on previous sales.

Fiscal Year	Projected Sales	Actual Sales
1983		$17,616
1984	$26,000	$21,505
1985	$35,000	$51,790
1986	$66,000	$26,350 (5 months Sep. '85 thru Feb '86)
1970	$70,000	---

Question: What areas will be flown in FY 1986?

Answer: It is anticipated that the fiscal year 1986 contract(s) for SLAR data acquisition will be awarded during August 1986, and the project areas will be flown during the fall and winter of this year. SLAR data are planned to be acquired for portions of the following States: Alaska, California, Idaho, Indiana, Iowa, Montana, Nevada, Ohio, Utah, and Wyoming. Contingent on contract costs, additional data may be acquired in portions of some of the following States and territories: Alabama, American Virgin Islands, Louisiana, Mississippi, Nebraska, North Dakota, Oregon, Puerto Rico, South Dakota, or Washington.

Question: Are you aware of any recent private funding for the gathering of SLAR data in the United States?

Answer: In general, SLAR data acquisition by private sector interests is usually site specific and is usually proprietary. The applications as well as the location of data acquisition funded by the private sector is not public information. However, any SLAR data that is collected on a speculative basis is available for purchase by the general public.

Mapping Center Realignment

Question: What is the status of your realignment of Mapping Centers? When will it be completed?

Answer: Realignment has proceeded in accordance with the original plan, and the initial transfer of selected workloads, personnel, and equipment among Mapping Centers has been accomplished. The Division is acquiring and vacating space necessary to accommodate realignment. No personnel have been involuntarily removed as a result of realignment. The original target date for completion of realignment was 1987-88.

GENERAL QUESTIONS

Question: Your general administration activities show reimbursable assessments. How do you arrive at such assessments?

Answer: The Geological Survey has a bureau assessment policy which assesses most reimbursement funding at 5.5 percent which covers the administrative costs of these activities.

Question: Please explain the "management initiatives" reductions in general administration in FY 1986 and FY 1987 (p. 237). Of what do they consist? How are you meeting these objectives in FY 1986? How do you expect to meet them in FY 1987?

Answer: In fiscal year 1986 an estimated savings of 67 FTE's and $1,259,000 is expected to result from productivity improvements across the Geological Survey, and from streamlining and efficiency improvements in bureau administrative support functions. Since any efficiencies achieved in fiscal year 1986 will continue into the next year, reductions made possible by these savings are also reflected in the fiscal year 1987 budget estimate.

$495,000 and 37 FTE's of this total are related to productivity improvements, predicated on the assumption that activities selected for productivity reviews will prove to be more economical if carried out by contractors. Specific savings in fiscal year 1986 and fiscal year 1987 will depend on the savings or investments needed for internal improvements, the bids received, the timing of any contract awards, and the personnel placement or other separation costs for any employees affected.

The Geological Survey is also reviewing a range of options for improving the efficiency of administrative support activities throughout the bureau. These include further centralization of general office services support (e.g., mail, warehousing, duplicating), increased sharing of general purpose computer facilities and telecommunications capability, standardizing and increasing automation of procurement and personnel activities, and improving ratios of support employees to program personnel and workload. Savings attributed to these efforts total $764,000 and 30 FTE's in both fiscal year 1986 and fiscal year 1987.

In the event that productivity improvements and streamlining efforts generate insufficient savings to meet the fiscal year 1986 and fiscal year 1987 targets, these reductions will be borne by program activities.

Question: On page 254 of the budget justification you show significant reductions in the following categories: transportation of things, rental payments, commercial utilities and miscellaneous charges, printing and reproduction.

--What specific actions do you plan to take to achieve such reductions?

Answer: There will be savings in commercial utilities and miscellaneous charges related to the purchase of Geological Survey owned telephone switchboard and equipment. The estimates for transportation of things, rental payments, and printing and reproduction reflect the overall programmatic reductions in the President's Budget.

Question: Why do you have such a large reduction in FEMA reimbursements in FY 1987? (p. 270)

Answer: The Federal Emergency Management Agency's (FEMA) Flood Insurance Program was due to be completed in 1985. Approximately 2,500 communities still required flood studies to be qualified for the regular flood insurance program. The Water Resources staff worked with FEMA to devise plans to qualify the remaining communities. Congress and OMB granted FEMA an extension through 1987 to complete the Flood Insurance Program. A major effort was made during 1985 and 1986 to help FEMA complete the flood studies. The reduction in FEMA reimbursements in fiscal year 1987 reflects the completion of the USGS work in helping FEMA with their regular Flood Insurance Program.

Question: Your state matching in water resources for FY 1987 on page 270 ($52,859,000) does not match the Federal-State cooperative program on page 211 ($50,499,000). Why?

Answer: Unfortunately, last minute changes to the USGS fiscal year 1987 budget were not reflected in all the tables. The corrected pages for the Budget Justification follow:

GEOLOGICAL SURVEY

Federal Funds

General and special funds:

SURVEYS, INVESTIGATIONS, AND RESEARCH

$50,499,000

For expenses necessary for the Geological Survey to perform surveys, investigations, and research covering topography, geology, *hydrology*, and the mineral and water resources of the United States, its Territories and possessions, and other areas as authorized by law (43 U.S.C. 31, 1332 and 1340); classify lands as to their mineral and water resources; give engineering supervision to power permittees and Federal Energy Regulatory Commission licensees; administer the minerals exploration program (30 U.S.C. 641); and publish and disseminate data relative to the foregoing activities; [$431,961,000] *$395,500,000*: *Provided*, That [$52,324,000] ~~*$50,414,000*~~ shall be available only for cooperation with States or municipalities for water resources investigations: *Provided further*, That no part of this appropriation shall be used to pay more than one-half the cost of any topographic mapping or water resources investigations carried on in cooperation with any State or municipality [: *Provided further*, That in fiscal year 1986 and thereafter, all amortization fees resulting from the Geological Survey providing telecommunications services shall be deposited in a special fund to be established on the books of the Treasury and be immediately available for payment of replacement or expansion of telecommunications services, to remain available until expended]: *Provided further*, That *in fiscal year 1987 and thereafter* the Geological Survey is authorized to accept lands, buildings, equipment, and other contributions from public and private sources and to prosecute projects in cooperation with other agencies, Federal, State, or private. *(Department of the Interior and Related Agencies Appropriations Act, 1986, as included in Public Law 99-190.)*

Summary of Requirements by Object Class

(Dollar amounts in thousands)

Appropriation Surveys, Investigations, and Research

Reimbursable Obligations:		FY 1987 Base FTE/T	FY 1987 Base Amount	FY 1987 Estimate FTE/T	FY 1987 Estimate Amount	Inc.(+) or Dec.(-) FTE/T	Inc.(+) or Dec.(-) Amount
11.0	Personnel Compensation:						
11.1	Full-time permanent----------------		59591		59139		-452
11.3	Other than full-time perm.--------		7486		7622		136
11.5	Other personnel comp.-------------		1467		1474		7
	Total pers. comp.---------------	2251	68544	2241	68235	-10	-309
12.1	Personnel benefits----------------		8880		8880		--
13.0	Benefits for former pers.---------		237		237		--
21.0	Travel & trans of persons---------		6294		6294		--
22.0	Transportation of things----------		2274		2165		-109
23.1	SLUC------------------------------		9977		9718		-259
23.2	Rental payments to others--------		624		514		-110
23.3	Comm., Util. & misc. charges------		6866		6866		--
24.0	Printing and Reproduction---------		1863		1863		--
25.0	Other services--------------------		45859		38405		-7454
26.0	Supplies & materials--------------		11846		10616		-1230
31.0	Equipment-------------------------		12757		11433		-1324
32.0	Lands and structures--------------		15		15		--
41.0	Grants, subsidies, and contrib.---		3175		2918		-257
42.0	Insurance claims & indemnities----		9		9		--
	Total requirements--------------		179220		168168		-11052

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DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
SURVEYS, INVESTIGATIONS, AND RESEARCH
Program and Financing (in thousands of dollars)

14-0804-0-1-306		1985 Actual	1986 Estimate	1987 Estimate
	Program by activities:			
	Direct program:			
00.01	National mapping, geography and surveys	85,469	87,897	83,427
00.02	Geologic and mineral resource surveys and mapping	169,595	173,014	159,016
00.03	Water resources investigations	133,647	141,847	124,678
00.04	General administration	15,244	13,422	13,356
00.05	Facilities	13,049	14,177	15,023
	Total, direct program	417,004	430,357	395,500
	Reimbursable program a/ b/	187,066	179,220	168,168
10.00	Total obligations	604,070	609,577	563,668
	Financing:			
	Offsetting collections from:			
11.00	Federal funds	-101,626	-96,109	-87,017
14.00	Non-Federal sources	-85,440	-83,111	-81,151
21.40	Unobligated balance available, start of year	--	1,155	-167
22.40	Unobligated balance transferred, net	-1,795	--	--
24.40	Unobligated balance available, end of year	1,155	167	167
25.00	Unobligated balance lapsing	4	--	--
39.00	**Budget authority**	416,368	429,369	395,500

a/ Includes map receipts of $7.1M in FY 1985, $7.4M in FY 1986 and $7.8M in FY 1987.

b/ Reimbursements for FY 86 and FY 87 have been revised to reflect best estimates.

DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
SURVEYS, INVESTIGATIONS, AND RESEARCH
REIMBURSABLE PROGRAM
OBJECT CLASSIFICATION (in thousands of dollars)

14-0804-0-1-306		1985 Actual	1986 Estimate	1987 Estimate
	Personnel compensation:			
11.1	Full-time permanent	59,406	59,591	59,139
11.3	Other than full-time permanent	7,463	7,486	7,622
11.5	Other personnel compensation	1,467	1,467	1,474
11.9	Total personnel compensation	68,336	68,544	68,235
12.1	Personnel benefits: Civilian	8,853	8,880	8,880
13.0	Benefits for former personnel	237	237	237
21.0	Travel and transportation of persons	6,938	6,294	6,294
22.0	Transportation of things	2,507	2,274	2,165
23.1	Standard level user charges	9,931	9,977	9,718
23.2	Rental payments to others	688	624	514
23.3	Comm., util., and misc. charges	7,568	6,866	6,866
24.0	Printing and reproduction	2,053	1,863	1,863
25.0	Other services	49,860	45,859	38,405
26.0	Supplies and materials	12,792	11,846	10,616
31.0	Equipment	13,776	12,757	11,433
32.0	Lands and structures	17	15	15
41.0	Grants, subsidies, and contributions	3,500	3,175	2,918
42.0	Insurance claims and idemnities	10	9	9
	Total reimbursable obligations	187,066	179,220	168,168
99.0	Total obligations, Surveys, Investigations, & Research	604,070	609,577	563,668

Funding of Geological Survey Programs (Obligations)

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
Department of Defense:			
Military	7,994,354	3,331,000	3,331,000
Civilian	565,264	222,000	222,000
Department of Energy	7,908,021	8,820,000	8,820,000
Department of State	130,938	20,000	20,000
Environmental Protection Agency	11,000	26,000	26,000
Federal Emergency Management Agency	174,013	134,000	134,000
Fish and Wildlife Service	753,398	60,000	60,000
Minerals Management Service	704,555	364,000	364,000
National Aeronautics and Space Admin.	3,979,233	3,945,000	3,945,000
National Oceanic & Atmospheric Admin.	311,301	497,000	497,000
National Park Service	140,957	33,000	33,000
National Science Foundation	82,665	160,000	160,000
Nuclear Regulatory Commission	1,235,410	1,415,000	1,415,000
Office of the Secretary	17,000	--	--
Miscellaneous Federal Agencies	414,503	459,000	459,000
Total	216,742,728	209,189,000	195,191,000
Water Resources Investigations			
Direct appropriation	132,841,035	140,859,000	124,678,000
Prior year's unobligated balance	806,944	988,000	--
States, counties, and municipalities:			
Matched	51,679,000	52,010,000	50,499,000
Unmatched	4,821,188	5,500,000	5,000,000
Permittees and licensees of the Federal Energy Regulatory Comm.	1,981,292	2,000,000	1,800,000
Kingdom of Saudia Arabia	1,027,870	1,100,000	1,400,000
Miscellaneous non-Federal sources	317,414	325,000	290,000
Agency for Int'l Development	97,145	100,000	165,000
Bonneville Power Administration	131,731	130,000	120,000
Bureau of Indian Affairs	948,695	1,000,000	1,000,000
Bureau of Land Management	1,377,481	1,400,000	1,000,000
Bureau of Reclamation	7,839,861	8,000,000	7,000,000
Department of Agriculture	661,488	675,000	650,000
Department of Defense:			
Military	2,309,384	2,400,000	3,500,000
Civilian	16,108,600	18,000,000	15,000,000
Department of Energy	7,884,867	8,000,000	8,000,000
Department of State	488,003	500,000	500,000
Department of Transportation	411,704	425,000	400,000
Environmental Protection Agency	1,464,894	1,500,000	1,300,000
Federal Emergency Management Agency	3,421,668	3,500,000	500,000
National Oceanic & Atmospheric Admin.	83,454	90,000	75,000
National Park Service	905,455	900,000	815,000
Tennessee Valley Authority	222,386	225,000	150,000
Miscellaneous Federal Agencies	539,189	550,000	163,000
Total	238,370,748	250,177,000	224,005,000

Funding of Geological Survey Programs (Obligations)

	FY 1985 Actual	FY 1986 Estimate	FY 1987 Estimate
General Administration:			
Direct appropriation	15,244,000	13,422,000	13,356,000
Miscellaneous Federal Agencies	109,715	1,000	1,000
Total	15,353,715	13,423,000	13,357,000
Facilities:			
Direct appropriation	13,049,000	14,177,000	15,023,000
Minerals Management Service	39,726	50,000	50,000
Total	13,088,726	14,227,000	15,073,000
Misc. Services to other accounts:			
Miscellaneous non-Federal sources	37,615	100,000	100,000
Computer services to Federal Agencies	5,882,150	4,391,000	4,391,000
Miscellaneous Federal Agencies	94,781	104,000	104,000
Total	6,014,546	4,595,000	4,595,000
Contributed Funds:			
Indefinite appropriation	39,000	511,000	500,000
Impress Fund:			
Cash Advance	(167,000)	--	--
Summary:			
Surveys, Investigations, & Research:			
Direct appropriation:			
Current	416,364,611	429,369,000	395,500,000
Indefinite appropriations	39,000	511,000	500,000
Prior year's unobligated balance	806,944	988,000	--
Cash Advance	(167,000)	--	--
States, counties and municipalities	59,453,793	60,232,000	57,979,000
Other Non-Federal sources	18,878,368	15,479,000	15,372,000
Map Receipts-Non-Federal Sources	7,108,006	7,400,000	7,800,000
Other Federal agencies	102,113,942	96,609,000	87,517,000
Total - SIR	604,597,664	610,588,000	564,668,000
National Petroleum Reserve in Alaska:			
Direct appropriation:			
Prior year's	801,000	1,035,000	--
Barrow Area Gas			
Direct appropriation:			
Prior year's	37,000	42,000	--
TOTAL - Geological Survey	605,435,664	611,665,000	564,668,000

Question: Please explain the almost $4.4 million in computer services you provide to other Federal agencies. (p. 271)

Answer: The $4,391,000 is reimbursement largely from other Interior Bureaus for computer usage. The Geological Survey has been designated by the Department of the Interior as one of its two general purpose computer centers. As such, the Survey serves as a resource to the other Bureaus for large-scale computing. This resource sharing results in efficient use of Interior computer resources.

Question: You request a change to the "Administrative provisions" pertaining to contracts, grants, and cooperative agreements (p. 274-275). Do you have such authority now?

Answer: Prior to 1977, the U.S. Geological Survey obtained its authority for executing grants from P.L. 85-934, Grants for Support of Scientific Research. This law was repealed in 1977 by P.L. 95-224, the Federal Grant and Cooperative Agreement Act of 1977 which provided a Governmentwide definition for contracts, grants, and cooperative agreements. After consultation with the Department of the Interior's Office of the Solicitor, we determined that the Organic Act of March 3, 1979 (43 U.S.C. 31(a)), provided the broad authority for assistance (grants and cooperative agreements) activities, and we used the Act as our assistance authority. However, since the Organic Act was enacted nearly 100 years prior to P.L. 95-224, it did not use terminology such as grant or cooperative agreement. In order to avoid any misunderstanding, we have added the following as an administrative clarification: "Provided further, that activities funded by this account may be accomplished by the use of contracts, grants, or cooperative agreements as defined in P.L. 224."

Question: What is the status of the recently established Industrial Research Associate Program? What has been the private sector response? How many associates do you have? In what areas? What do you expect the ultimate size of the program to be?

Answer: We have received 65 requests for further information regarding the program. They include the following contacts from the private sector: researchers at national labs; universities (private and public); petroleum companies; mining companies; engineering firms; geologic consultants; coal companies; environmental consultants; and private individuals.

In addition, we have been contacted for further information by State Geological Surveys and other Federal agencies.

We do not have any associates at this time, although some negotiations are underway. It is difficult to forecast the potential size of the program at this time. However, based on the number of contacts for "further information," it appears to be attracting interest.

Question: What is the budget, and your current estimate for unemployment compensation?

Answer: The current estimate for unemployment compensation is $1,400,000 for fiscal year 1986 and fiscal year 1987. The budget amount for unemployment compensation is $179,000 in fiscal year 1986 and $216,000 in fiscal year 1987.

Question: What is the status of unresolved costs on the Husky Oil contract for the Naitonal Petroleum Reserve in Alaska? Are all audits complete? What is the amount unresolved? Have any amounts been recovered from Husky?

Answer: With the execution of a Settlement Agreement on January 16, 1986, all outstanding audit reports issued during the closeout of the Husky contract are complete and have been resolved. As a part of the Agreement, no more audits will be performed by the Defense Contract Audit Agency (DCAA). The Settlement Agreement was negotiated immediately upon receipt of the final decision issued by the Interior Board of Contract Appeals.

With the execution of the Settlement Agreement, the closeout of the Husky contract is complete, with the exception of Alaska State taxes. Husky is presently litigating, on behalf of the Federal Government, taxes assessed for the years 1976-1978, in the amount of approximately $2.3 million, with interest. At present, there has been no additional assessment by the State for the remaining years under the contract. A Department of Revenue, State of Alaska, decision on the initial administrative appeal is anticipated during the summer of 1986.

To fund the Settlement Agreement with Husky which included a $2.1 million settlement and where timing was essential, several purchase orders amounting to approximately $1.4 million were deobligated in the Exploration of the National Petroleum Reserve in Alaska account. These purchase orders eventually will have to be paid. USGS is currently exploring ways which, as those bills are presented for payment, will allow them to be charged against available funds in the expired portion of the Surveys, Investigations and Research account.

Question: The Senate budget resolution contains an assumption that the Survey would recover full costs for mapping and surveying conducted for States and private industry.

-- What costs do you recover now?

-- What impact would such a proposal have?

-- Would you need legislative authority to recover full costs or do you already have it?

-- If you have it, please provide the applicable legal citations.

Answer. The Survey does not conduct mapping or surveying for States or provide industry. The survey produces maps and other cartographic data required internally and by other Federal bureaus and agencies.

Funding is provided to the Survey for that purpose so that the about 30 Federal agencies who need the maps do not produce maps individually. The Survey does accept 50% funding from States and local governments who want to expedite production of standard map products that are part of the Federal program and would eventually be produced by the Survey if there were no matching funds from States.

The resultant products are sold to the public under the same policy as other printed products--to recover the costs of printing and distribution only, since the Survey is funded for map production for Federal users.

Presently, we are recovering only the costs of printing and distribution of our maps. The past two price increases from $2.00 to $2.25 in 1984 and from $2.25 to $2.50 in 1985, show that the volume of maps sold declines following a price increase. If this trend were to continue, a price higher than $2.50 would result in reduced revenues.

We have authority under Title 43, section 42 to distribute topographic and geologic maps and atlases of the United States, made and published by the Geological Survey, at such prices and under such regulations as may from time to time be fixed by the Director with the approval of the Secretary. Authorization was made in the fiscal year 1984 appropriations language (Public Law 98-146) for the Geological Survey to retain receipts from the sale of maps to the public.

In addition, the Geological Survey is prohibited from copyrighting any of its products which means that any outside source can publish or disseminate any of our data. This severly limits Geological Survey ability to recover costs of acquiring the data as part of the product price.

Question: When will the SLAR Request for Proposal (RFP) be issued and does it have the language of the revised regulation of 14 CFR, part 375, as stipulated in House Joint Resolution 465?

Answer: SLAR RFP 7158 was issued on April 18, 1986. It does have the language of the revised regulation.

Questions from Congressman Norman D. Dicks

Question: A proposal has been made to establish a national demonstration project to build public awareness of the Exclusive Economic Zone (EEZ). The development of this project came from the understanding that there was a lack of public knowledge of the EEZ, its resource potential, and the need for exploration of this new frontier. This proposal, if funded, would be carried out by the University of Washington, NOAA, and USGS.

First, is the agency aware of this proposal and does the USGS think that it is worthwhile project?

Answer: Yes, the USGS is aware of the proposal. We believe it is a worthwhile project designed to broaden public awareness of the EEZ as a place in which the U.S. has unique opportunities. However, given the current priority of reducing the Federal deficit, other alternatives are available such as the USGS information products that are currently available.

Question: Would USGS be willing to fund this project over a period from FY 1987 to FY 1990? What do you believe would be an appropriate amount of funding to be made available during this period?

Answer: The USGS does not currently have the funds in its budget to support this project.

Question: Would this project be the appropriate tool in the process of educating the public if and when the EEZ is developed?

Answer: It would help. The exhibits and educational materials could provide an overview of the resources and the exploration and management activities occuring in the U.S. EEZ.

UNITED STATES GEOLOGICAL SURVEY
QUESTIONS FOR THE RECORD
SUBMITTED BY RALPH REGULA

1. Question. When the USGS is deciding in what areas to acquire SLAR data do you consult other federal agencies as well as the States?

Answer. Yes. Other Federal agency's mapping requirements, including SLAR, are coordinated each year with representatives of more than 30 Federal agencies. This coordination, conducted in response to OMB Circular A-16, is part of a continuing dialog between the Geological Survey and other Federal agencies with mapping requirements. The Geological Survey also regularly reports on the SLAR program and invites recommendations for acquisition sites at various scientific symposia: American Congress on Surveying and Mapping/American Society of Photogrammetry and Remote Sensing; Geological Society of America; and others. These efforts result in input from other Federal agencies, academic interests, and the private sector.

2. What other agencies have made use of SLAR data?

Answer. A number of other Federal agencies have used or are planning to use SLAR data for a variety of applications. Some selected examples are given below:

- The U.S. Army Engineer Topographic Laboratories is currently using data from the Geological Survey SLAR program for two applications: engineering geologic studies using data of the Trona, California, 1:250,000-scale quadrangle area; and computer-enhanced multifrequency analysis for selected areas in the Appalachians.

- Subcontractors to the Department of Energy (DOE) have used data from the Geological Survey SLAR program for analysis of the Deaf Smith Site, a proposed nuclear waste repository site in Texas. Additional data adjacent to this site have also been acquired independent of the Geological Survey program for DOE; this data will also be available to the public through the Geological Survey. The DOE also requested the Geological Survey acquire data of the Idaho Falls, Idaho, 1:250,000-scale quadrangle area for a study of DOE's Idaho National Engineering Laboratory for several ongoing major reactor research projects, including the National Production Reactor and the Desertron, a major accelerator project. Data of this area will be acquired this summer.

- The Geological Survey has also responded or is in the process of responding to requests from the Nuclear Regulatory Commission, the National Aeronautics and Space Administration, the Office of Naval Research, the National Oceanic and Atmospheric Administration, and other Federal agencies.

3. Question. What has the USGS done to make other agencies aware of this data?

Answer. The Geological Survey is involved in an ongoing SLAR public awareness program which includes other Federal agencies. The awareness program includes presentations on SLAR at national symposia, publication of technical reports, and publications and distribution of informational material through mass mailings to earth scientists. Additionally, ongoing dialog is maintained with Federal agencies to assure that their needs for SLAR data are identified.

4. Question. Your budget proposes to eliminate SLAR data acquisition. In fact the deletion of the $1.9 million for SLAR represents almost half of the cut in your mapping program. Clearly Congress has made it clear that this is an important priority. Why then do you continue to request no funding for this program? Is it because you assume we will restore funding?

Answer. The Geological Survey agrees that SLAR data acquisition is in the national interest. The use of these data by Federal scientists, State geologists, the academic community, and the private sector clearly demonstrates their value for earth science applications. However, the Geological Survey must make many hard decisions to fulfill its charter as the Nation's principal earth science agency. The conflicting priorities for funding of geologic, hydrologic, and cartographic data acquisition, as well as diverse research and application studies, must be balanced against the public need.

5. Question. Your justification for eliminating funding says it is because the technology has been demonstrated and applications data can be acquired from the private sector as needed. The program was not funded to demonstrate the technology, but to acquire the data which I think has been demonstrated to be in the national interest. How would you respond?

Answer. The Geological Survey feels that while the acquisition of SLAR data is in the national interest, the acquisition of these data benefits the private sector more than the general public. Thus, private industry funding of SLAR data acquisition is a reasonable alternative.

6. Question: Your budget proposes reductions in the acid rain program. This appears to be a government-wide trend, as we have heard from other agencies within our jurisdiction about cut-backs in acid rain related research. I am concerned about this particularly in light of the President's recent commitment to Prime Minister Mulroney. What will be the impact of your proposed reductions?

Answer: The proposed fiscal year 1987 reduction of $300,000 reflects priority setting action necessitated by the present budgetary climate. The areas within the Acid Rain Program selected for reduction were chosen to have minimum impact on the overall program. The reductions would predominantly impact the research and investigations component of the program and would not threaten that portion of the interagency acid-rain monitoring network directly funded by the Geological Survey. The national network consists of 150 monitoring stations, of which 50 are funded by the Geological Survey.

7. Question: An April 8 press release from the USGS is headlined "Interior Announces Pilot Studics as First Step in Assessing Quality of the Nation's Water." Could you elaborate on this program, and is there money in your fiscal year 1987 budget to continue and build on this effort?

Answer: The Geological Survey will provide the Subcommittee with its detailed plan for the conduct of a National Water-Quality Assessment Program in accordance with testimony given at our hearing before the Subcommittee on April 10, 1986. This document will provide considerable additional explanation of the program design and funding estimates. The fiscal year 1987 Budget requests an increase of $515,000 to enhance the pilot-scale water-quality assessment studies which are beginning in fiscal year 1986. Total funding requested for the National Water-Quality Assessment prototype effort in fiscal year 1987 is $3 million.

TUESDAY, APRIL 15, 1986.

MINERALS MANAGEMENT SERVICE

WITNESSES

WILLIAM D. BETTENBERG, DIRECTOR

JOHN B. RIGG, ASSOCIATE DIRECTOR FOR OFFSHORE MINERALS MANAGEMENT

RICHARD B. KRAHL, DEPUTY ASSOCIATE DIRECTOR FOR OPERATIONS

CAROLITA L. KALLAUR, DEPUTY ASSOCIATE DIRECTOR FOR LEASING

JERRY HILL, ASSOCIATE DIRECTOR FOR ROYALTY MANAGEMENT

JIMMY MAYBERRY, DEPUTY ASSOCIATE DIRECTOR FOR ROYALTY MANAGEMENT

THOMAS M. GERNHOFER, ASSISTANT DIRECTOR FOR ADMINISTRATION

DONALD SANT, ASSISTANT DIRECTOR FOR PROGRAM REVIEW

THEODORE F. SAUNDERS, BUDGET OFFICER

ALAN D. POWERS, REGIONAL DIRECTOR, ALASKA OCS REGION

BRUCE WEETMAN, REGIONAL DIRECTOR, ATLANTIC OCS REGION

J. ROGERS PEARCY, REGIONAL DIRECTOR, GULF OF MEXICO OCS REGION

WILLIAM E. GRANT, REGIONAL DIRECTOR, PACIFIC OCS REGION

ANTHONY ITTEILAG, DIRECTOR OF BUDGET, DEPARTMENT OF INTERIOR

Mr. YATES. Good morning. The hearing will come to order.

This is the hearing on the budget for fiscal year 1987 on the appropriation for the Minerals Management Service and appearing in support of the President's budget is Mr. William Bettenberg, its old-time director, and Mr. John Rigg is here. He is the Associate Director for Offshore Minerals Management.

You also brought with you, Mr. Bettenberg, Mr. Krahl who is the Deputy Associate Director for Operations.

Then we have Ms. Carolita Kallaur, the Deputy Associate Director for Leasing.

Ms. KALLAUR. Yes.

Mr. YATES. The men have given you the tough job, haven't they?

Then there is Mr. Jerry Hill, the Associate Director for Royalty Management. Mr. Hill.

Then there is Mr. Jimmy Mayberry, Deputy Associate Director for Royalty Management.

Mr. BETTENBERG. Mr. Chairman, he is sick in Denver. We have two royalty management people with us who I might ask to respond to questions today who aren't on this list, Ken Moyers and Jim Detlefs.

Mr. YATES. Mr. Gernhofer, Assistant Director for Administration, is here; Mr. Sant, Assistant Director for Program Review.

Then there is Mr. Theodore Saunders, Budget Officer. Then there is Alan Powers, Regional Director from Alaska. You are a long way from home. It is nice to get to a warm place; isn't it?

Mr. **POWERS**. Occasionally.

Mr. **YATES**. Mr. Weetman, Regional Director for the Atlantic OCS. Mr. Pearcy, Regional Director for the Gulf of Mexico. You don't have any problems right now, do you.

Mr. **PEARCY**. Not very many.

Mr. **YATES**. Have the military problems been cleaned up and NASA, the question of whether or not you can lease over the NASA flyways? They won't be flying away for a while now, I guess.

Mr. **PEARCY**. The NASA flyway is on the Atlantic side.

Mr. **YATES**. But that is your baby anyway, isn't it?

Mr. **PEARCY**. No, sir.

Mr. **YATES**. It is not?

Mr. **BETTENBERG**. That would be Mr. Weetman's.

Mr. **YATES**. He has got a big one then. There was a question of off the Pensacola—what was it, McGill?

Mr. **PEARCY**. Egland.

Mr. **YATES**. Is that all cleared up?

Mr. **PEARCY**. It is cleared up to the extent we have drilling windows established, with the consent of the Air Force, where we can drill and when.

Mr. **YATES**. I will be coming back to you then.

Mr. Grant in the Pacific. That is the hot spot, isn't it?

Mr. **GRANT**. Good morning.

Mr. **YATES**. And then there is Mr. Itteilag. Hi, Mr. Itteilag.

Mr. **ITTEILAG**. Good morning.

Mr. **YATES**. All right. Now, Mr. Bettenberg has a statement and an impact statement of Gramm-Rudman which may go into the record at this point to be followed by biographies of Mr. Sant, Mr. Mayberry, Mr. Hill and Mr. Pearcy.

[The statement of Mr. Bettenberg follows:]

OPENING STATEMENT OF WILLIAM D. BETTENBERG
DIRECTOR, MINERALS MANAGEMENT SERVICE

Fiscal Year 1987 Budget Hearing before the
House Committee on Appropriations, Subcommittee on Interior
and Related Agencies

April 15, 1986

I want to thank the Chairman and members of the Subcommittee for the opportunity to appear today to discuss the Minerals Management Service (MMS) budget proposal for FY 1987. The MMS has responsibility for two major programs, both of which provide significant revenues for the Treasury. These programs are the leasing and management of mineral resources on the Outer Continental Shelf (OCS), and the collection and disbursement of oil, gas, and other mineral receipts from mineral leases on Federal, Indian, and OCS lands. Our budget supports programs that encourage environmentally sound exploration and development of the Nation's offshore energy resources which in turn improves the U.S. economy, creates jobs, and can help reduce our dependence on foreign sources of supply and enhance our national security. Production operations on current OCS leases account for approximately one-fourth of our Nation's production of natural gas and one-eighth of our oil production. OCS leasing and production operations will be an important source of energy for many years into the future and they also constitute a significant source of revenue for the Federal Treasury.

The budget request for the Minerals and Royalty Management Appropriation for FY 1987 is $6.9 million below our FY 1986 enacted Appropriation, but is about the same as FY 1986 after the sequestration order.

Highlights of our budget proposal include:

o Continuation of active leasing, environmental, resource evaluation, and regulatory programs on the Outer Continental Shelf. The reduced funding available in Fiscal Year 1986 under Public Law 99-177 resulted in the Bureau reallocating resources to best accomodate projected workload under the current 5-year leasing and projected production schedules. By continuing these operating levels in FY 1987, the OCS program will be fully capable of meeting all expected workload requirements.

o Full reimplementation of the Royalty Management Program's (RMP) Auditing and Financial System (AFS) into the new hardware environment during FY 1987. With completion of software reimplementation and the new mainframe computer, the RMP will continue to improve accountability and auditability of payor receipts, as well as timeliness of subsequent MMS disbursements. In addition, responsiveness to the information requirements of the States and Indian community will be improved, while RMP will continue implementation of the recommendations and guidelines contained in the Action Plan for improved management of the program.

- A proposal that net, rather than gross, receipts be shared with the States after Federal program operating costs are deducted. This proposal would reduce the Federal deficit by approximately $53.5 million in FY 1987 while assuring that the distribution of revenues between the States and the Federal Government is equitable. This proposal results in an estimated reduction of $22.9 million in the Appropriation below FY 1986 estimated payments to States from Federal onshore mineral leasing receipts.

I would now like to discuss in more detail the two primary operating programs under the Minerals and Royalty Management Appropriation: Outer Continental Shelf Lands and Royalty Management.

Outer Continental Shelf Lands

Oil and gas leasing and production on the Outer Continental Shelf (OCS) is extremely important. Even though the nation has reduced total domestic consumption of crude oil and natural gas after the oil embargo of the 1970's, we do not come close to meeting our internal needs from domestic production. We have developed import sources from more politically stable areas of the world, while increasing domestic production which represents real progress. Every forecast, however, predicts that we will once again find ourselves increasingly reliant on imported oil during the 1990's and that those imports will come increasingly from the Persian Gulf. The Interior Department's OCS Program has presented an opportunity for modestly reducing the total amount of imported oil required and will continue toward furthering this goal. From 1981 to 1985 production of crude oil from the OCS has risen from 290 to 390 million barrels per year. OCS production amounts to approximately 12 percent of all domestic crude and 25 percent of all domestic natural gas produced. Indeed, OCS production of both oil and gas is increasingly important in providing a domestic source of energy for this country.

The estimated recoverable reserves continued to increase through 1984 (the latest year for which statistics are available), a year when the oil and gas industry was making economic adjustments in the aftermath of the 1982 economic downturn. In 1984, estimated recoverable oil reserves increased by 313 million barrels (6.86%) while recoverable natural gas reserves increased by 837 billion cubic feet (1.83%). As of December 31, 1984, recoverable oil reserves from the OCS are estimated to be 4.9 billion barrels while natural gas reserves of the OCS are estimated to be 46.7 trillion cubic feet.

The OCS leasing program is designed to provide an opportunity for industry to explore and develop new offshore prospects. However, the lead time required to bring new OCS fields into production is substantial. The time elapsed from leasing to initial production can extend from about 4 to 13 years. Therefore, it is important that we find new energy sources today and work toward making these resources available in the future. The record shows that we are able to produce from our OCS lands with minimal environmental disturbance.

In addition to helping meet the energy needs of the Nation, the Federal offshore leasing program has provided over $80 billion in Federal receipts since 1954.

This has had the effect of offsetting the potential need for an equal level of increased borrowing, increased taxes, or reductions in Government services. OCS Program activities also provide jobs for Americans, both in direct exploration and production operations and through an extensive range of service and support industries. In addition, the Federal Treasury receives income from OCS-related employee and corporate income taxes.

For these reasons, it is important that the OCS oil and gas program proceed in a steady, orderly manner. In an attempt to improve understanding and support for the program, MMS has worked with State and Congressional delegations to resolve leasing issues amicably. The Department has made a concerted effort to exclude from the long prelease planning process, areas where industry interest is minimal and conflicts exist with other resources or uses. Adjustments have also been made in a number of sale dates to better accommodate extra consultative efforts with State governments. Also, an agreement to pursue "negotiated rulemaking" concerning regulations governing air emissions from oil and gas exploration and development facilities on the Federal OCS offshore California was reached last November by the Interior Department, the State of California, two environmental groups, and representatives of the oil industry. This is another positive step toward reaching a consensus with concerned parties, and assuring that scheduled OCS program activities proceed in an orderly fashion while addressing the concerns of all interested groups.

Royalty Management

The Department of the Interior has been collecting rents, royalties, and bonuses from Federal and Indian mineral leases since 1921. Within the last few years, however, the Department has intensified the attention given to the process to assure that mineral leasing revenues are more properly collected, accounted for, and distributed to the recipients as established by law. MMS has been responsible for this function since the Agency was established in 1982.

We have worked diligently to overhaul the outdated accounting system which had been in use for more than 30 years, and to improve accountability for the Nation's mineral leasing revenues. The development of a Royalty Management Action Plan published last Spring was designed to guide our efforts over the next few years. This plan contained 42 specific actions aimed at improving royalty management. We are pleased to report that during the past year we have completed about 40 percent of these action elements and that most of the remaining elements are substantially underway. We believe that following this plan will result in a much improved program for the future.

Major programmatic and management changes have taken place during FY 1985 and are continuing in FY 1986. Among the most important of these changes are:

o The AFS error rate has been cut in half, from 13.2 percent in December 1984, to a rate of 6.5 percent in December 1985. The effect of the lower error rates is evidenced by the lower amount of interest amounts to States and Indian tribes for late disbursement by MMS. Interest paid has dropped from a high of $216,000 in March 1985, to a recent monthly average of about $40,000.

- Exception processing in both the Auditing and Financial System (AFS) and the Production Accounting and Auditing System (PAAS) began last year. Our billable exception processing system under AFS began operation in February 1985, and during its first year of operation provided nearly $7 million in interest assessments for late payments and assessments for late reporting. The PAAS exception processing started in April 1985, and by January 1986, had resulted in collections of about $5 million in additional royalties.

- A comprehensive enforcement strategy for assessments and civil penalties has been formulated using the authorities of the Federal Oil and Gas Royalty Management Act of 1982. The strategy cites the regulatory basis for assessments and penalties, identifies the conditions warranting use of assessments and penalties, and establishes the procedures to be followed. Our policy will be to use assessments and penalties as tools to progressively gain and maintain compliance.

- The headquarters for Royalty Management has been relocated from Washington, D.C., to Lakewood, Colorado, to place the decisionmaking authority geographically closer to the States, Indians, and industry, and to our own staff.

- The RMP Office of External Affairs has been created, an Indian Ombudsman for Indian support has been appointed, and a comprehensive outreach program has been developed to assure that all important information is made available to States and Tribes in a timely manner.

- A Royalty Management Advisory Committee consisting of State, Indian, and industry representatives has been established to provide external oversight and advice to the Secretary and MMS.

- The AFS data base has been purged and purified and concurrently the RMP staff has been realigned along geographical lines to maintain AFS data base information on a lease basis.

- Direct on-line access for States and Indian tribes to MMS Royalty Management data systems is scheduled to be operational this Spring. This will improve the information flow to users and will help to maintain the data base by identifying inaccuracies.

- An aggressive audit program has continued. Over $280 million has been recovered in previously unpaid or underpaid royalties, interest, liquidated damages, and refund denials since program inception in October 1981. In addition, through a cooperative effort between MMS, BLM, and BIA, we issued and implemented an Indian Lease Audit Strategy to better serve Indian allottee and tribal audit needs. The strategy includes procedures to identify and resolve Indian audit needs, the mechanism to establish priorities for Indian audits, training programs for MMS and BIA employees, and evaluation techniques for directing future Indian audit efforts.

We have worked diligently to improve our services to Indian tribes and allottees. In addition to the initiatives mentioned above which improve our ability to make Indian payments and provide supporting information, MMS can point to:

- Priority processing of Indian work, including cash receipts, error correction, and distribution of payments.
- Implementation of billable exception processing resulting in an additional $465,000 billed on Indian leases.
- Planned software enhancements to eliminate problems BIA identified with negative lines, royalty rates, and other explanation of payment data.

We are continuing to work on an improved version of our product value regulations. A "pre-proposal draft" has been developed and made available to interested parties for comment through a notice in the Federal Register. We have also provided copies to members of the Royalty Management Advisory Committee and asked for their advice. These draft rules cover oil, gas, coal, gas processing allowances and transportation allowances.

Finally, we have proposed legislation for later transmittal to Congress providing for payment of interest to successful appellants. Certain assessments or royalty payment obligations imposed by the Royalty Management staff are contested by the payors and appealed. Pending a decision on an appeal, the payor is currently required to pay the disputed amount to the Government. Where it is determined that all or some portion of the contested amount is not owed to the Government, an Indian account, or the Alaska Native Corporation, the Department proposes to pay interest to the payor on the amount refunded for the period of time that the disputed amounts have been on account with the Government. This proposal would reflect fairness and better business practice than is permitted under current law. Language to provide for this is currently under review by the Administration and will be transmitted to the Congress at a later date.

Headquarters Office Consolidation

Our FY 1987 proposal includes $833,000 for expenses related directly to consolidation of the Washington, D.C., metropolitan area offices located in Virginia. Since establishment in 1982, MMS has operated headquarters functions in five geographically separated locations. Having more than 538 employees housed in 5 buildings in locations separated by up to 30 miles has had significant negative impacts on the effective day-to-day interaction of the headquarters staff. Many MMS staff members travel at their own expense to attend important meetings at other MMS and Departmental offices, and the lost time during travel is a cost in productivity which will be saved through office consolidation. Another major disadvantage of the current situation is the physical separation of the administrative support staff from the program managers. This inefficiency is difficult to quantify and although the MMS administrative staff makes every attempt to be responsive to program needs, consolidation would increase effective service to the organization.

Consolidation of MMS offices in the Washington, D.C., metropolitan area would reduce MMS locations from five geographically separated buildings to two. The vacated space in Main Interior and the John Wesley Powell Building would be backfilled while the other buildings currently occupied by MMS would be dropped from the General Services Administration's (GSA) inventory. Some of the estimated yearly expenditures for existing operations could also be saved by this consolidation. These savings, totalling $228,000 annually, would, over approximately 3 years, more than offset the initial one-time costs incurred in FY 1987 for the consolidation.

MMS will also benefit from a data security standpoint due to this consolidation. The companies from which proprietary data are acquired for use by the OCS resource evaluation and lease management staffs have always been concerned about our ability to protect this valuable information. The MMS inventory of proprietary data has more than doubled in the past 5 years and is expected to double again over the next 5 years. The protection of proprietary data transmitted to or generated by MMS is difficult because of our physical separation. Approximately 31 percent of headquarters personnel are located in the John Wesley Powell Building in Reston, Virginia, where a condition of inadequate space exists and where the physical structure of the building proves even more difficult for the protection of the proprietary data. The MMS space is basically one floor in this open building which is under the primary management of the U.S. Geological Survey (USGS).

This proposed consolidation of MMS headquarters offices was originally proposed as a part of the organization when MMS was established. The initial consolidation proposal was forwarded for consideration by the Department and GSA in July 1982. However, available office space offered at that time was not cost-effective for MMS. The projected costs for relocating employees and the expected loss of employees which was projected would have had significant adverse effects on the operating programs. As a result, plans for an FY 1987 consolidation began in June 1984. On the local level, a survey was conducted to determine home addresses by zip codes of all headquarters personnel. This information gave us insight into the cost of relocating personnel should the consolidation take place outside of Northern Virginia. The survey showed that over 80 percent of employees resided in the Northern Virginia area. The balance resided in Maryland, West Virginia, and the District of Columbia.

Considerable time and effort has gone into the preliminary market survey to determine where space was or would be available to meet our consolidation needs during FY 1987. The Dulles corridor was chosen as part of our delineated area because of the location of existing employees within a short drive and the proximity of Route 66, the airport, ample housing, good ground transportation and clear access to high speed roads in and out of the Washington area.

The Department and the GSA have both approved the proposal to acquire adequate office space in Northern Virginia for the consolidation of MMS. The proposal is expected to be forwarded in the near future by the central office of the GSA to the Committee on Public Works in the Congress. Action on the request is anticipated during the Committee's current session.

Mr. Chairman, this completes my prepared statement. I would be pleased to answer any further questions you or the Committee members may have.

Department of the Interior

Detail Statement
FY 1986 Gramm-Rudman-Hollings Sequestrations
(P.L. 99-177)

MINERALS MANAGEMENT SERVICE

Appropriation: Leasing and Royalty Management

Activity/Subactivity/ Program Element	FY 1986 Enacted to Date	P.L.99-177 Reduction	FY 1986 Adjusted Approp.	Impact
	(Dollars in thousands)			
OCS Lands				
Leasing and environmental program:				
Leasing and environmental assessment	16,458	-246	16,212	Delay of ADP improvements, reduction in information dissemination, and curtailment of training and workshops.
Environmental studies	27,202	-1,631	25,571	Some studies will be deferred or reduced in scope and some studies will be cancelled.
Subtotal, Leas. and Env. Assess.	43,660	-1,877	41,783	
Resource Evaluation Program:				
Geol. and Geophys. data acquisition, evaluations and analyses	18,290	-998	17,292	Limited enhancement of geophysical evaluation and mapping system, reduction in G & G data acquisition, and curtailment of Johnston Island resource studies.
Resource economic and engineering evaluations and analyses	5,714	-34	5,680	Limit upgrading of MONTCAR computer model and updating of ADP systems and data bases.
Subtotal, Res. Eval. Pgm.	24,004	-1,032	22,972	
Regulatory Program:				
Regulation of operations	26,786	-1,255	25,531	Reduction in funding for helicopter services, cancel purchase of improved life vests, limit support to Marine Board of the National Academy of Sciences, and restrict funding for travel and training.
Reserve inventory	2,788	-35	2,753	Limit the filling of vacant positions.
Technology assessment and research	1,164	-76	1,088	Reduced content and distribution of printed material.
Oil and gas information program	1,164	-6	1,158	Reduced acquisition of equipment and supplies.
Subtotal, Regulatory Pgm.	31,902	-1,372	30,530	
Total, OCS Lands	99,566	-4,281	95,285	

Royalty Management				
Mineral revenue collections	15,079	-646	14,370 1/	Reduced contractural support for exception processing, and reduced contracting for general accounting and systems advice.
Mineral revenue compliance	10,463	-450	10,013	Decreased travel for auditors and Royalty Valuations and Standards staff, decreased funds for cooperative and delegated audits, and delayed filling of vacant positions.
Systems development and operation	19,448	-836	18,612	Reduced funding for operations and maintenance contracts and decreased procurement of user hardware for the new mainframe computer.
Total, Royalty Management	44,990	-1,932	42,995	
General Administration				
Executive Direction	3,259	-140	3,119	Reduced travel, limited filling of vacant positions, and delay in processing equipment procurements.
Administrative direction and coordination	184	-1	183	Reduced travel and restricted filling of vacant positions.
Financial management	966	-56	910	Reduced travel related to assistance and training in the use of the financial management system, and restricted filling of vacant positions.
Personnel management	1,293	-56	1,237	Reduced travel and delayed filling of vacant positions.
Procurement and general services	1,877	-46	1,831	Reduced travel for training related to the new property management system, and termination of travel for safety and security inspections of field office facilities.
Information resources management	1,805	-100	1,768 1/	Reduced travel and delayed filling of vacant positions, and delayed procurement of hardware and software for office automation.
Field administrative services	3,283	-148	3,135	Reduced travel and restricted filling of vacant positions, and limiting the number of building modifications.
Subtotal, Administrative Operations	9,408	-407	9,064	
General Support Services	9,787	-421	9,366	Reduced funding for fixed operating costs.
Total, General Administration	22,454	-968	21,549	
Total, Appropriation	167,010	-7,181	159,829	

1/ Reflects a realignment of an ADP security function ($63,000) from Royalty Management to General Administration.

Department of the Interior

Detail Statement
FY 1986 Gramm-Rudman-Hollings Sequestrations
(P.L. 99-177)

MINERALS MANAGEMENT SERVICE

Appropriation: Payments to States from Receipts under Mineral Leasing Act

(Dollars in thousands)

Activity	FY 1986 Enacted to Date	P.L.99-177 Reduction	FY 1986 Adjusted Approp.	Impact
Payments to States..................................	574,391	-23,895	574,391 1/	Decreased revenue to the States in FY 1986 with amounts to be made available in the future to the extent permitted by law.
Interest on Late Payments..........................	- -	- -	- -	
Total, Appropriation.........................	574,391	-23,895	574,391	

1/ Includes $23.9 million in total obligations that are to be sequestered. The $23.9 million will not be paid during 1986, but will remain in the account and will be available at a future date to the extent permitted by law.

Department of the Interior
Minerals Management Service

Object Classification - Gramm-Rudman Sequestration
Leasing and Royalty Management

Identification code 14-1917-0-1-302		1986 Estimate	
Direct Obligations:			
Personnel Compensation:			
11.1 Full-time permanent		(557)	
11.3 Other than full-time permanent		(4)	
11.5 Other personnel compensation		(186)	
11.8 Special personal services payments		0	
11.9 Total personnel compensation		(747)	
12.1 Personnel benefits: Civilian		(106)	
13.0 Benefits for former personnel		0	
21.0 Travel and transportation of persons		(381)	
22.0 Transportation of things		(16)	
23.1 Standard level user charges		0	
23.3 Communications, utilities, and misc. payments		(437)	
24.0 Printing and reproduction		(99)	
25.0 Other services		(5,136)	
26.0 Supplies and materials		(53)	
31.0 Equipment		(206)	
32.0 Lands and structures		0	
33.0 Investments and loans		0	
41.0 Grants, subsidies, and contributions		0	
42.0 Insurance claims and indemnities		0	
99.0 Total, direct obligations		(7,181)	

Department of the Interior
Minerals Management Service

Object Classification - Gramm-Rudman Sequestration
Payments to States from Receipts under Mineral Leasing Act

Identification code 14-5003-0-2-852		1986 Estimate	
Direct Obligations:			
Personnel Compensation:			
11.1 Full-time permanent			
11.3 Other than full-time permanent			
11.5 Other personnel compensation			
11.8 Special personal services payments			
11.9 Total personnel compensation		—	
12.1 Personnel benefits: Civilian			
13.0 Benefits for former personnel			
21.0 Travel and transportation of persons			
22.0 Transportation of things			
23.1 Standard level user charges			
23.3 Communications, utilities, and misc. payments			
24.0 Printing and reproduction			
25.0 Other services			
26.0 Supplies and materials			
31.0 Equipment			
32.0 Lands and structures			
33.0 Investments and loans			
41.0 Grants, subsidies, and contributions		(23,895)	
42.0 Insurance claims and indemnities			
99.0 Total, direct obligations		(23,895)	

[The biographies of Messrs. Sant, Mayberry, Hill and Pearcy follow:]

BIOGRAPHIES

DONALD T. SANT

Donald T. Sant was appointed Assistant Director for Program Review in January 1986. Program Review has responsibility for Budget, Appeals, and Internal Review within the Minerals Management Service (MMS).

Mr. Sant has been Assistant Director for Programs, Office of Policy Analysis, Department of the Interior; Director, Office of Policy Analysis, Department of the Interior; Assistant Director for Industry Analysis, Bureau of Economics, Federal Trade Commission; and an Assistant Professor of Economics, Department of Economics, Princeton University.

Mr. Sant was born in Salt Lake City, Utah, on January 3, 1948. He holds a bachelor's degree in economics from the University of Utah (1970), a master's degree in statistics from the University of California, Berkeley (1973), and a Ph.D. in economics from the University of California, Berkeley (1974).

JIMMY W. MAYBERRY

Jimmy W. Mayberry is the Deputy Associate Director of the Royalty Management Program, a position he has held since his appointment in October 1985, and in which he served in an acting capacity from December 1984 through October 1985.

Reporting directly to the Associate Director, Mr. Mayberry oversees the activities of the six divisions which comprise Royalty Management: Program Support, Fiscal Accounting, Production Accounting, Systems Management, Royalty Compliance and Royalty Valuation and Standards Divisions.

He is responsible for operation of the centralized accounting center located in Lakewood, Colorado, which annually collects, accounts for, and disburses the Department's mineral lease revenues.

Before assuming his current position, Mr. Mayberry briefly served as Acting Chief of the Systems Management Division. This Division is responsible for the development, implementation, and administration of three, large-scale automated fiscal and production accounting systems; for receipt and processing of all reports and payments; and the development of the Royalty Management Program's statistical reporting system.

Mr. Mayberry previously served as Chief of the Accounting Operations Division. This Division, as the principal user of the automated fiscal and production accounting systems, was responsible for the accurate collecion, accounting, and disbursement of mineral revenues on Federal and Indian lands.

A native of Elk City, Oklahoma, Mayberry and his wife have one son. He graduated from Southwestern Oklahoma University in 1966 with both a B.S. in Accounting and B.A. in Economics.

Mayberry began his Federal career by joining the General Accounting Office (GAO) soon after graduation. During 9 years at the GAO's Regional Office in Dallas, Mayberry served as both Audit Manager and Staff Development Manager. While with the GAO, Mayberry distinguished himself and was presented the Comptroller General's Meritorious Service Award.

In 1973, Mayberry moved to the Department of Energy's Regional Office in Dallas to serve as Division Director. In 1980, as Director for the Crude Oil Pricing Program, he was given a Meritorious Service Award by the Department of Energy.

JERRY DALLAN HILL

Jerry Dallan Hill, Associate Director of the Minerals Management Service's (MMS) Royalty Management Program since October 1985, has been directly associated with MMS and Royalty Management activities through parallel programs of the State of Louisiana and minerals industry for 23 years.

A Louisiana native, Mr. Hill graduated from the University of Southwestern Louisiana with a B.S. in Marketing and later earned an M.B.A. from Loyola University of New Orleans. Mr. Hill, 47, and his wife have one daughter.

As Under Secretary for the Louisiana Department of Natural Resources, a department he helped to establish, Mr. Hill was responsible for the most comprehensive State oil and gas information processing system in the Nation and was also the

State's first Under Secretary for Environmental Quality. Other experience includes Program Administrator for the Louisiana Resource Recovery and Development Authority, investigative auditor for the Department of Conservation, and Director of Mineral Income. Mr. Hill also has industry experience with the Humble Oil and Refining Company.

J. ROGERS PEARCY

J. Rogers Pearcy was recently appointed as the Regional Director for the Gulf of Mexico Region, Minerals Management Service. He has 26 years of experience with Federal oil and gas programs.

Mr. Pearcy commenced his employment with the U.S. Geological Survey as a Petroleum Engineer in Roswell, New Mexico, in June of 1960. His principal duties were: unitization agreements covering Federal, Indian, State, and fee lands; engineering and geologic evaluations of Federal and Indian lands; and estimation of oil and gas reserves.

He was reassigned to the Gulf of Mexico Region in June of 1968 where he began as a senior staff engineer in charge of engineering and economic evaluations of OCS tracts offered for lease and progressed through the Oil and Gas Supervision for Resource Evaluation, the Deputy Conservation Manager of the Office of Reserves and Development, and the Deputy Regional Manager position to the Regional Director.

In 1970–1971, he served on a special assignment in California as consultant to the Department of Justice and as an expert in petroleum engineering in a lawsuit involving Pauley Petroleum, et al., and the Department of the Interior. He testified in Court as an expert witness in well log analysis, reservoir engineering, and oil and gas property evaluation. Again in 1982, he was an advisor and consultant to the Department of Justice and testified in Federal District Court as an expert witness in petroleum geology in the *Texas* vs. *Watt litigation*.

Mr. Pearcy has a B.S. Degree in Petroleum Engineering from the New Mexico Institute of Mining and Technology and a B.A. Degree in Business and Economics from Eastern New Mexico University.

STATE OF MINERALS MANAGEMENT SERVICE

Mr. YATES. Mr. Bettenberg, what is the state of the Minerals Management Service? Do you have any problems?

Is your budget adequate? Is Gramm-Rudman treating you nicely?

Mr. BETTENBERG. From a budgetary standpoint, I would say we are in good shape, Mr. Chairman.

Mr. YATES. From a budgetary standpoint, you are in good shape. What is your shape in other respects?

Mr. BETTENBERG. In other respects, I am sure we have problems, but I think we are dealing adequately with them and I think that our program is improving substantially.

Mr. YATES. Maybe you can tell us what some of the problems are with which you are dealing adequately.

Mr. BETTENBERG. Why don't I tell you some of the things we are making progress on first.

Mr. YATES. I would think so. I would think if you could make a good impression, it would be good.

PROGRESS MADE IN ROYALTY MANAGEMENT

Mr. BETTENBERG. Given the discussion that we had last year on royalty management, I thought that it would be appropriate to talk about that a little bit. Last year you recall, I reported to you that we had a number of problems in the Royalty Management Program, some things that were hanging so far as decisions were concerned and that I thought we had made a lot of progress, but we had a lot of progress yet to make.

Mr. **Yates**. Does that include the way you are treating the Indians?

Mr. **Bettenberg**. It certainly does.

Mr. **Yates**. You had made some progress, but you have got a lot of progress still to make?

Mr. **Bettenberg**. Yes. I think that is adequate.

Mr. **Yates**. Are the Indians getting their fair share of royalties?

Mr. **Bettenberg**. Yes.

Mr. **Yates**. How do you know that?

Mr. **Bettenberg**. We know that because we have our collection system. We do audits and so forth.

Mr. **Yates**. What about the question of property repossession with respect to the Indians and loss of their electric power, added indebtedness?

Mr. **Bettenberg**. We are not involved in electric power, Mr. Chairman.

Mr. **Yates**. Well, what happens if the Indians don't pay their power debts? You haven't given them their money to pay the power debts because you haven't paid them their royalties on time. Are you paying the Indians their royalties on time?

Mr. **Bettenberg**. As a general matter, yes. Not in 100 percent of the cases yet, but generally.

Mr. **Yates**. How long has this been going on? I remember you and I discussed this three or four years ago and there was a question——

Mr. **Bettenberg**. I was not here that long ago.

Mr. **Yates**. Which office then were you with? Were you not with—sure, you were. You were with Interior then, weren't you?

Mr. **Bettenberg**. I was with Interior.

Mr. **Yates**. At any rate, perhaps it wasn't you, but I had discussed it with the person who was in charge of royalty payments.

Mr. **Bettenberg**. Possibly Bob Boldt.

Mr. **Yates**. At that time, the question came up as to whether the Indian oil was being diverted. I think perhaps the word "stolen" was used, that it was being diverted before it got to the checkout system which indicated how much royalties they were entitled to.

Mr. **Bettenberg**. There were some flaps back around 1980 or so, I recall, on the Wind River Reservation.

Mr. **Yates**. That is what I am talking about.

Mr. **Bettenberg**. To the best of my knowledge, that is correct. The BLM would be responsible for overseeing that, but I have not heard any information whatsoever that would lead me to indicate that is a problem today. I haven't for a number of years.

Mr. **Yates**. We will come back to it.

Mr. **Bettenberg**. What I would tell you about the state of royalty management is that we have improved substantially over last year. We have substantial improvements yet to make. I would anticipate that it will take a lot of hard work over the next probably two years before I am in a position where I would feel fully comfortable that we are doing the job that we ought to be doing.

To give you some notion of the progress that we are making, last year when I was here our input error rate in our fiscal system was running at about 13 percent and as of this past December it was around 6.5 percent.

So it has been cut in half during that time. The base error rate in reference data is now hovering around something like three percent and we consider that good. The fiscal system is operating inefficiently on the VAX computers, nonetheless, it does, in fact, work. It collects $400 million to $450 million per month, every month.

Most of the money that comes in during any month goes out the very next month. For Indians, the money that comes in any one month typically goes out that very month. So we are not up against the brink as I think we were a year ago. Last year at this time, we were talking about implementing exception processing for obvious billing problems, late payments and so forth and, in fact, we sponsored a budget amendment which was approved by this committee to handle some of that exception processing.

First of all the exception processing has now been working for approximately a year. We have collected about $7 million and that is working month to month.

We have turned that over to a contractor and we are overseeing that to widen the scope and to go back retroactively and pick up payments that we think might have been due during the first few years.

Mr. **Yates**. May I ask you about that comment? Last year, you told us you were going to collect $18 million.

Mr. **Bettenberg**. Yes, we anticipated.

Mr. **Yates**. How much have you collected?

Mr. **Bettenberg**. We have collected about seven million. None of that is under the amendment we sponsored last year.

Mr. **Yates**. Why the difference between your anticipation and the fact?

Mr. **Bettenberg**. I don't think there is—I would have to go back and look over the figures, but I don't think there is that much difference between the anticipated.

Mr. **Yates**. You didn't tell us $18 million, you mean?

Mr. **Bettenberg**. I think I told you $18 million for the budget amendment.

Mr. **Yates**. How much has been collected?

Mr. **Bettenberg**. Without the budget amendment, we collected seven. We have just implemented the contract over the last couple of months. We have, I think, 45 contractor personnel onboard as of about now. We will peak out sometime this summer at about 55 on that. The contractor during the first month of work, as I understand it, came up with something over $1.2 million in bills that went out.

So that would seem to be on track with what we estimated last year. What we estimated last year, of course, was a projection. We hadn't gotten into that data yet, so we were making our best estimate, but at this point I would say that the estimate appears to be holding up.

PRODUCTION ACCOUNTING SYSTEM

At this time last year, we were just starting the production accounting system. I informed you that we were putting the system up for offshore, for solid minerals and we also had some pilot companies onshore.

We started actually collecting money last fall from that system. We were running it, as I recall, back about February and as of the end of March, through those efforts, we have collected another $6 million.

EXCEPTION PROCESSING CONTRACT

Mr. Yates. Well, here is what you say in your justification, page MMS-68. "Through the exception processing contract, the Minerals Management Service compares what a payer reports and pays to what the system expects the payer to report and pay. The decrease in exception processing resources will significantly reduce anticipated fiscal year 1986 revenue collections from the review of 1983 and 1984 payments."

Does that agree with what you are telling us?

"As part of its Management Action Plan, the Royalty—"—did you want to say something?

Mr. Bettenberg. Sure. Because we got our monies late this year, we entered into the contract late and so a part of our Gramm-Rudman savings was taken from that. I would visualize we would add that on. You recall, the budget amendment and the money we were to collect under that was a two-year program. I would anticipate that we would have to add that on at the end of those two years to go back and get all the retroactive collections.

Mr. Yates. All right.

Mr. Bettenberg. On the production accounting, I said at the end of March and roughly over the last six months, we had collected $6 million. So at this point, we seem to be bringing in something like about a million dollars per month from that effort.

Both of these efforts are substantially cost effective. Over the past year-and-a-half we have had a program going to clean up the data bases that we have in the system. We have made very substantial progress in that.

We have something like six months or so to run on that effort, as I understand it, but major components of it are being completed. As a result of that, we have a much cleaner data base than we had a couple of years ago. We have the Bureau of Land Management working with us, the Bureau of Indian Affairs and a number of states. That effort has paid off very handsomely, I think, and in large measure—it is at least one of the aspects of why we are experiencing a much lower rate of errors.

An additional program that we have is assessment of penalties and assessment of late interest. We have been doing that regularly for people who are chronic mis-reporters and that, I think, has also helped substantially in getting the company's attention.

We also have just recently completed a training program. I think we had something like 10 or 12 sessions with industry in various cities where their headquarters are located, such as Tulsa, Dallas, Houston, Denver, and we have gotten good reviews from companies in terms of our training of them and their better understanding of the reporting requirements for the system.

STATE AND TRIBAL SUPPORT SYSTEM

We have a new system called the State and Tribal Support System going on line, I believe, this month. It will provide, at least in its first phase, direct, on line access for states, certain tribes and BIA offices so that they can dial up our system and get basic data on status and so forth.

There are other phases of this system that we have to implement, but that is one of the things included in the budget amendment we sought last year and had approved. So that is working.

Mr. **Yates**. You don't have a computer in operation yet, though, do you?

Mr. **Bettenberg**. No, we don't. We do have a computer in operation. We don't have our systems in operation yet.

Mr. **Yates**. That is what I mean.

Mr. **Bettenberg**. That is one of the things I wanted to cover with you. As we grow older, I think, in fact, we are growing wiser. We are getting smarter about the job of doing our management.

Mr. **Yates**. Are you also getting slower?

Mr. **Bettenberg**. No, I don't think we are getting slower in that regard. You will recall last year I mentioned that the Royalty Management Program in its current configuration, staffing and so forth, had essentially been created in the last five years. There are——

Mr. **Yates**. I remember when it was created.

Mr. **Bettenberg**. There are a relatively small number of people currently in the program who were involved in the program before that. We have new systems to operate so I think we have a substantial learning curve to deal with in that regard. We are at the point where we are getting into what I would describe as more sophisticated challenges, developing audit strategies, comprehensive enforcement strategies and those sorts of things, whereas a year ago we were spending virtually all of our time just keeping our heads above water with daily operations. So I think that those things will also pay off.

CONVERSION TO NEW COMPUTER

So far as problems in royalty management, there are a host of those. One thing this committee has been very interested in, you recall last year, I indicated it was my recommendation that we proceed with a conversion. The department agreed, after several studies, and we sought a budget amendment that, as I recall, probably covered some aspects of the conversion.

We also had some funds already that had been appropriated for the conversion for fiscal year 1985, and we proceeded with that. The contractor was to have completed his coding work by the end of December, pursuant to the schedule that had been laid out on a fixed price contract.

The contractor, in fact, was substantially over-optimistic in terms of their performance. In late October, as I recall it, they informed us they would be about five months late, depending upon whether we continued to insist on a kind of testing we had been insisting on. That would have moved us into about the middle of May for completion of the coding work.

They informed us last week that at this point they would anticipate being ready to turn over the code to us on about the 30th of June.

They are hopeful of beating that by about a few weeks, but it is certainly a disappointment. This is moving slower than we would have desired.

Mr. YATES. You are getting older.

Mr. BETTENBERG. Well, I should say that the contractor is moving slower than we would have desired. On the other hand, reports from our team that is overseeing the implementation are that the contractor is——

Mr. YATES. Who is the contractor?

Mr. BETTENBERG. Martin Marietta Data Systems, a major conversion contractor.

Mr. YATES. How does the contractor rationalize its slowness in doing the work?

Mr. BETTENBERG. Well, in a variety of ways. First, they openly acknowledge that the job is much more complex than they had anticipated when they bid on it. In fact, we have a letter that says had they known how complex it was, they would have bid it as a cost-plus contract rather than a fixed-price contract.

Mr. YATES. Do you have a lawsuit with them now?

Mr. BETTENBERG. No.

Mr. YATES. I thought they were suing you because you were penalizing them at $5,000 a day.

Mr. BETTENBERG. Well, we have been withholding something like about $5,400 a day. They had put in an informal claim for consideration of about a million dollars in what they consider to be added costs above the contract that they should be compensated for.

They have withdrawn that at this point. At some point, we might still well be in some sort of disagreement with them over financing of the contract. I would anticipate they will lose a fair amount of money.

Mr. YATES. Why are you withholding $5,400 a day?

Mr. BETTENBERG. We are withholding that money as liquidated damages. The contract was set up so that——

Mr. YATES. Is that in accordance with provisions of the contract?

Mr. BETTENBERG. Yes, it is. The contract was set up so that if they didn't deliver on time, they would suffer liquidated damages. This provision was intended to compensate us for the added cost to the Government of running the existing system for a longer period of time, having to have other contractors on site running that system, having a team overseeing the contract for a longer period of time and so forth.

We think we can fully document those costs.

Mr. YATES. How many days have you been setting aside $5,400.

Mr. BETTENBERG. Well, since December 28. So I would anticipate if they hit the deadline that they say they are going to hit, it will total just under a million dollars.

Mr. YATES. Have you varied the terms of the contract?

Mr. BETTENBERG. No, we have not. While they are slow, and we think that they didn't organize as rapidly as they should have and understand the job as quickly as they should have, and that led to a substantial part of the delay, we do think it is a complex conversion.

The reports that I am getting at this point are that we are in fact accepting—finding acceptable coding packages that are coming in. The contractor has informed me that they have actually converted all of the code and have it in testing at this point.

We have accepted the programming on three of 17 packages at this point and have others in process. So we are what I would describe as cautiously optimistic at this point that things are going well.

PRODUCT VALUE REGULATIONS

The second thing that we had some conversation on last year, as I recall, was product valuation regulations. Those constantly seem to take a longer period of time to develop than I would like and that I might have visualized a year ago.

We developed a draft set of product value guidelines, five separate packages covering valuation of gas, oil, coal, transportation allowances and gas processing allowances and I thought we were prepared to proceed with those as proposed rulemaking in January.

We had our first meeting of the Royalty Management Advisory Committee the first full week in January, as I recall, and there was substantial opposition from all members of the committee in us proceeding with the guidelines before they had an opportunity to review them.

I had anticipated that we would ask them to review them simultaneously with us putting them out as proposed regulations. In light of the unanimous opposition of the states, Indians, and industry represented on the committee, we concluded it was prudent to put them out as a draft proposed rulemaking and get their comments.

They have formed three subpanels to review those regulations. Those subpanels are meeting—I think there might even be one meeting this week in Lakewood or Denver to review the regulations.

At the same time, we sought public comment on the draft proposed rules and we have those public comments coming in. The public comment period is closed on that at this point, so we do have a pile of those. That just closed a few days ago, as I recall. I will tell you the product value regulations are extremely difficult to develop.

I think, in part, it requires a very deep understanding of industry marketing practices, the variety of different marketing and production situations that exist and perhaps you would also need to be a Talmudic scholar to divine all the different paths you can go down to take care of each specific situation because there are literally hundreds and hundreds of those.

Each time we get another one, we have to scratch our head and think about that.

Mr. YATES. What are the products you are controlling?

Mr. BETTENBERG. What we are trying to do is establish clear guidelines for valuing gas, oil, coal and also for setting transportation allowances and gas processing allowances for Federal and Indian leases, offshore and onshore.

You would think that it is a relatively simple matter that you have one company that is producing natural gas on a lease, they are selling it to somebody else. You figure out what that price is and take 16 and two-thirds percent or 12.5 percent, whatever the royalty rate is.

Mr. **YATES**. If you made it more accessible at the wellhead, you wouldn't have to worry about transportation allowances, would you?

Mr. **BETTENBERG**. If we made it more accessible at the wellhead. I don't understand the question.

Mr. **YATES**. If you determine product value at that point?

Mr. **BETTENBERG**. We wouldn't have to worry about transportation allowances. That is right.

The only problem is the product, quite frequently, is not sold at the wellhead. So you don't have a price there.

For instance, on an offshore platform, the platform is, let's say, 50 miles offshore. No one sells gas at the platform. They sell it onshore.

We have to figure out from the price sold onshore what the value is at the wellhead on the platform. So, those are the places where you start getting into difficulties with valuation.

It is very simple to value products if the product is sold at the wellhead in an arm's-length contract.

The second problem, apart from the fact it is typically not sold at the wellhead, is that very large portions aren't sold under arm's-length contracts, as well.

So, the key is to establish the guidelines in such a way that a company can't move its profit center around. You might recall some of the audits done during the mid 1970's, for instance, where companies were selling gas from one affiliate at the wellhead to a pipeline company that they also owned and were making all their profit on the pipeline and artificially reducing the price of the gas so that they would pay lower royalties.

That is what we are trying to guard against in our guidance here. So, at this point we do have the advisory committee working on it.

We, at one point, had anticipated them meeting in June and getting their advice on it. We also will have all the advice that we have gotten through the comment period and the public hearing we held on it, and then I would hope we would be ready to move with putting that out as an actual proposed rulemaking and final rule.

Mr. **YATES**. When do you anticipate that will take place?

Mr. **BETTENBERG**. Let me check.

Mr. Hill advises me that it might be as late as this fall before they have final recommendations.

Mr. **YATES**. What happens in the interim?

Mr. **BETTENBERG**. In the interim, two things happen.

Mr. **YATES**. What standards do your auditors go by?

Mr. **BETTENBERG**. In large part the draft guidance that we have is a codification of actual practice.

Mr. **YATES**. Is that the same as a set of guidelines?

Mr. **Bettenberg**. It certainly isn't.

The guidelines are out in a variety of fashions, some unwritten and so forth.

Mr. **Yates**. But you have 1982 guidelines that were established, isn't that correct?

Mr. **Bettenberg**. As I understand it, there were some draft guidelines that were put out for comment at that point.

Mr. **Yates**. I thought they were the guidelines that you established.

Mr. **Bettenberg**. No. We have regulations in place, and those have been in place for some time, and those give us the basic parameters that are used in calculating royalties.

We have what has grown up as practice, and that governs a fair amount of it. We have established starting, I guess, in late 1982, a royalty valuation organization made up of engineers and economists. And they issue case-by-case guidance based on inquiries from state auditors, our auditors, and companies.

In case of transportation allowances, a company is required to come in and get approval on those.

Mr. **Yates**. How in the world can a company presently know whether it is complying with what you expect them to do? If they have no guidelines, how can your auditors know whether the company is complying?

Isn't it total chaos?

Mr. **Bettenberg**. It is not total chaos.

Mr. **Yates**. It is just chaos.

Mr. **Bettenberg**. There is a certain amount of chaos out there.

There are two problems. The first is, basically our guidance at this point isn't as clear as it needs to be.

Mr. **Yates**. That is true. That is the understatement of the year.

Mr. **Bettenberg**. The second aspect of it is that under our current regulations and under the guidance we use—and we have not yet fully found a way around that in the new guidance—in a number of cases companies can't know even with the guidance we have.

Mr. **Yates**. How many such companies are there?

Mr. **Bettenberg**. It would be a non-arm's length situation. We would value it at a median price in the fields, whereas, the company might be trying to value gas lower than the typical price of gas in the field.

They may not know what the median price is, however, so we might only find it on audit and retroactively.

Mr. **Yates**. Is it easy to understand, then, why the Indians are unhappy with what you are doing?

Mr. **Bettenberg**. Absolutely.

It is easy to find out why the companies are unhappy, too.

Mr. **Yates**. Right.

We have to wait until June now to know where you are going, is that right, before you have a system of guidelines, according to what Mr. Hill said.

Mr. **Bettenberg**. What I think I told you is that it might be Fall before we have their recommendations.

Mr. **Yates**. It might be Fall before you have their recommendations.

Mr. **Bettenberg**. We then have to go through the Administrative Procedures Act process to implement it.

Mr. **Yates**. What did you say the state of MMS was? You said it was good?

Mr. **Bettenberg**. I said it was improving.

Mr. **Yates**. What you are saying, then, is it was really bad.

Mr. **Bettenberg**. Yes. That was the reason Minerals Management Service was created. In 1981, I wrote a memorandum for the Secretary that said that in my judgment the Conservation Division should be removed from the Geological Survey and basically put under a trustee situation like you would any bankrupt corporation.

Mr. **Yates**. This was in 1981.

Mr. **Bettenberg**. Yes.

Mr. **Yates**. You are still struggling to get out of the quicksand you found yourself in, in 1981.

Mr. **Bettenberg**. Yes. But what I am telling you is—and what I told you earlier—is that there is still some quicksand out there, but on the other hand, I think we have made a very substantial amount of progress in that time.

LETTER FROM COUNCIL ON ENERGY RESOURCE TRIBES

Mr. **Yates**. All right. Let's stop there for a moment and go into the letter that the committee has received from the Council of Energy Resource Tribes.

Let's you and I have a discussion, and possibly Mr. Hill may want to come in, too.

Here is this letter. This is a letter that is signed by Mr. A. David Lester, Executive Director of the Council of Energy Resource Tribes.

Do you know Mr. Lester?

Mr. **Bettenberg**. No.

Mr. **Yates**. Does anybody know Mr. Lester?

Mr. **Hill**. He was at the hearing.

Mr. **Yates**. He gives you background in his letter for this whole controversy that exists between you and the Indian tribes.

In his letter he says this. If you challenge any of the statements that he makes as I read this, feel free to stop me.

Mr. **Bettenberg**. Is that a copy that came to the Interior Department?

Mr. **Yates**. If it has, I am not aware of it. This is addressed to me, dated February 22, 1986.

Mr. **Bettenberg**. There was a letter from them that came to the Interior Department, and I disagree with many things that were in it, but I don't know if it is the same letter.

Mr. **Yates**. If that is so, this is a blind copy, because there is no reference to a copy going to the Interior Department.

He says this:

> As early as the mid-1970s the Jicarilla Apache Tribe was successfully bringing legal actions against the Department of the Interior and natural gas producers on the reservation challenging the methods employed to calculate royalties due the tribe for gas production on the reservation.
>
> More than $1 million was collected in settlement of those cases, and the Department was ordered by the courts to conform its royalty accounting practices to the law and regulations.

> The Department grudgingly agreed to do so for Jicarilla alone, citing personnel and budgetary restraints—

Even in 1970 you had budgetary restraints—

> As reasons for declining to investigate the possibility of similar irregularities on other reservations.

Have you done so since that time?

Mr. **Bettenberg**. I don't know what the Jicarilla situation is.

Mr. **Yates**. On other reservations.

Mr. **Bettenberg**. What is he suggesting we do on other reservations?

Mr. **Yates**. Well, he says all Interior agreed to do in 1970 after the court case was to reach an agreement with the Jicarilla. That is all the department agreed to do.

He said the department did not agree to look into the possibility of comparable abuses of the system on the reservations of other tribes.

Were you with the department in 1970?

Mr. **Bettenberg**. I was Budget Director.

Mr. **Yates**. You must remember the Indian fights at the time over these royalties.

Mr. **Bettenberg**. No, I don't.

Mr. **Yates**. Don't you, really?

Okay. All right. Then following that, just preceding your report in 1981 where you thought that the royalty collections groups should declare bankruptcy as a possibility, there was "widespread publicity regarding massive thefts of oil from reservations which sparked investigations by state law enforcement agencies, the U.S. Department of Justice and committees of Congress, and the Department of the Interior finally seized the initiative.

"The Secretary on July 8, 1981"—probably as a result of your report, I would guess.

Mr. **Bettenberg**. No, I wouldn't think so.

Mr. **Yates**. "The Secretary created the Commission on Fiscal Accountability of the Nation's Energy Resources to examine the allegations of massive irregularities in royalty accounting for production from federal and Indian lands; to investigate the allegations of theft of oil from these lands; and to make recommendations for improving the fiscal accountability of the production of these resources. 'Report of the Commission,' Preface."

That is taken from the report. This is the so-called Linowes Commission, isn't it?

Mr. **Bettenberg**. Yes.

Mr. **Yates**. They did a pretty good job, didn't they?

Mr. **Bettenberg**. Yes, it was a useful report.

Mr. **Yates**. I continue—"For years, Indian tribes and allottees throughout Indian country had challenged the figures for reported production; had complained about the accounting systems utilized to calculate their royalty returns; and had suggested that theft of oil from their fields was common.

"Lawsuits had been successful and the thieves who had been apprehended not only confessed but confirmed that their practices were commonplace.

"Nevertheless, we awaited the report of the Commission, commonly called the Linowes Commission after David F. Linowes, its chairman and a former Chairman of the Trial Board of the Institute of Certified Public Accountants.

"On January 21, 1982"—that was after your report to the Secretary. You said it was 1981.

Mr. **BETTENBERG**. Yes.

Mr. **YATES**. "The Commission issued its report. The report concluded that the royalty management system for federal and Indian minerals production 'has been a failure for more than 20 years' " probably confirming your report.

"The oil and gas industry"—it would be interesting to see your report. Do you still have a copy of it?

Mr. **BETTENBERG**. I don't think so.

Mr. **YATES**. Okay.

Mr. **BETTENBERG**. It was fairly brief. It basically was discussing organizational options.

Mr. **YATES**. Organizational options, you mean which led to MMS?

Mr. **BETTENBERG**. Right.

Mr. **YATES**. "The oil and gas industry is not"—this is what the report is saying—"is not paying all the royalties that should be paid, the Commission concluded, and the disarray of the government's recordkeeping precluded a determination of the amount of underpayment."

That is still going on, judging from what you are saying this morning.

"Such audits as had been conducted, however, suggest that hundreds of millions of dollars due the U.S. Treasury, the States, and Indian tribes are going uncollected every year."

Do we have any idea as to whether that is still true?

Mr. **BETTENBERG**. We have collected $280 million through audits, for instance, since late 1981.

Mr. **YATES**. Through the audits?

Mr. **BETTENBERG**. Through the audits.

Mr. **YATES**. That were not paid out? Is that what that means?

Mr. **BETTENBERG**. That means we had not collected them. I reported to you that we collected about $7 million exception processing, and through the accounting systems another $6 million.

Mr. **YATES**. You collected $280 million over what period of years?

Mr. **BETTENBERG**. Since late 1981. I think it is $73 million just this fiscal year.

Mr. **YATES**. How do you know whether that was the amount you should have collected? You didn't have any standards to go by, did you?

Mr. **BETTENBERG**. Yes, we do have standards. We have regulations and so forth.

Mr. **YATES**. You do have regulations and those were adequate upon which to base your collection of $280 million?

Mr. **BETTENBERG**. If they were adequate, we wouldn't be changing them.

Mr. **YATES**. Okay.

So, they weren't adequate, then?

Mr. **BETTENBERG**. I would not consider them adequate.

Mr. YATES. So, the possibility exists there may have been more than $280 million that you might have collected.

Is that correct?

Mr. BETTENBERG. Absolutely. That is why we have an audit team.

Mr. YATES. That is why you are proposing to change it and trying to find some way of dealing with the chaos, is that right?

Mr. BETTENBERG. That is correct.

Mr. YATES. "In addition, the Committee reported, oil thefts are occurring on Federal and Indian leases.

"Again, the magnitude of the problem," says the letter, "could not be determined, but the Commission noted that security precautions at Federal and Indian lease sites amounted to 'an open invitation to theft.' "

Is that still present?

Mr. BETTENBERG. Not to the best of my knowledge.

Mr. YATES. Who would know?

Mr. BETTENBERG. The Bureau of Land Management is responsible for that, but they have put out regulations that require protections against theft.

Mr. YATES. So you have no responsibility for that.

Mr. BETTENBERG. The only responsibility we have is if, in certain circumstances, there is theft, then we might collect royalties on it.

Mr. YATES. What is the extent of your cooperation with BLM? What happens if oil is stolen—you don't get the revenues do you?

Mr. BETTENBERG. That is correct.

Mr. YATES. And the Indians and the other people who are entitled to it don't get their revenues.

Mr. BETTENBERG. Right.

Mr. YATES. Tell us, at this point what is the extent of your cooperation with BLM?

Mr. BETTENBERG. The BLM is responsible for detecting it. If they detect it and if they conclude that a company is at fault then they are responsible for sending us a report, and we are responsible, then, for collecting royalties.

In the past, we have had difficulties getting all of the information from the Bureau of Land Management that we needed, and we have been ironing that out through a joint steering committee that we put together about a year ago.

Mr. YATES. It occurs to me, Mr. Bettenberg, that I should seek to send out our appropriations committee investigating unit to see how well BLM is doing its function of detecting theft.

Mr. BETTENBERG. My understanding is that is what you have, in fact, done.

Mr. YATES. I know.

I think we ought to follow up on it, because if, in fact, that is not accurately taking place, if the detection is not being done well, then you are at a loss.

Mr. BETTENBERG. There could be theft.

Mr. YATES. And that is a gap in the whole process, right?

Mr. BETTENBERG. Yes. Our principal problem, as I understand it, has been in New Mexico and the New Mexico State Director, according to the correspondence I have seen and the discussions from our royalty management people, has, in fact, given clear guidance to his people in the State on precisely how they report, the kind of check list they use, and so forth.

Mr. Yates. Okay. I go back to the letter.

The Commission recommended the "creation of a new Office of Royalty Management and legislation in the form of an Omnibus Royalty Management Improvement Act", and this was passed in 1982.

Mr. Bettenberg. Both things were done, in fact.

Mr. Yates. Then, "The member tribes of CERT had cooperated fully with the Linowes Commission. Following the Commission's report, the member tribes worked closely with the Committees and staff of the Congress in the development of the Management Act of 1982. Generally speaking, our member tribes are satisfied with both the letter and the spirit of the law.

"Generally speaking, however, our member tribes are disgusted with what appear to us to be blatant attempts to circumvent the clear requirements of the law by those agencies of Interior charged with implementing it. There are three levels of decisionmaking involved in the implementation of a law such as the FOGRMA."

Mr. Bettenberg. Federal Oil and Gas Royalty Management Act.

Mr. Yates. That is correct.

"First, the agency must determine what the policy of Congress is in the enactment of such a statute. Then, the implementing agency must make appropriate management decisions designed to carry out that policy."

You agree with that?

Mr. Bettenberg. Yes.

Mr. Yates. "And finally, the machinery must be tooled to give effect to those management decisions. The Department of the Interior has failed at all three levels to implement this statute in the manner contemplated by the Congress insofar as accounting for production of oil and gas from Indian lands is concerned."

All right.

"There is no doubt in the minds of the CERT tribes that the Department of the Interior has committed itself to a set of machines and programs designed to provide an administratively convenient regulatory framework and has backed into a policy position that is contrived after the fact to justify the management decisions made in committing the agencies' resources to the tools presently at hand."

Then they go on and point out policy failures, and you may comment on this as we go along, if you wish.

Mr. Bettenberg. I would disagree with that previous statement.

Mr. Yates. I see, that you have backed into a policy decision contrived after the fact? You are still trying to get a policy position, aren't you?

Mr. Bettenberg. We have lots of policies.

Mr. Yates. A policy position on the collections, though. You are still trying to get your regulations formulated so you know where you are going and so your auditors and the companies know where you are going and all the people know where you are going.

Mr. Bettenberg. We have collection regulations.

Mr. Yates. Which you, a few minutes ago, said may not be adequate.

Mr. **Bettenberg**. No, I didn't. That is a different set of regulations.

Mr. **Yates**. I thought you said you might not have collected the amount of money that should probably have been collected.

Mr. **Bettenberg**. I did, indeed.

Those are not inconsistent statements.

Mr. **Yates**. All right.

Let's go on with this language, then.

This is what they call policy failure, so I assume that your loins are girded and you are ready to go.

"At the policy level, rather than accepting the plain language of the statute as authority of the findings and purposes of Congress, the Department's agencies have chosen to blur the carefully crafted distinctions between federal and Indian lands and have elected instead to treat them as though they are the same."

Are the Federal lands, BLM lands and other lands, the same as Indian lands?

Mr. **Bettenberg**. No, they are not.

Mr. **Yates**. All right.

Let's see what they say then. This is going to be very interesting.

"In so doing, the Department has disregarded its own precedents and completely ignored the explicit distinctions drawn by the statute itself."

This is what Congress said. Well, okay, this is in the letter which will go into the record.

Mr. **Bettenberg**. Do they have an example

Mr. **Yates**. If you want me to read it, I will read it.

" 'Federal land'—this is from the statute—"means all land and interests in land owned by the United States which are subject to the mineral leasing laws, including mineral resources or mineral estates reserved to the United States in the conveyance of a surface or nonmineral estate."

No question about that, because that is the statute.

Then they say, " 'Indian lands' means any lands or interest in lands of an Indian tribe or Indian allottee held in trust by the United States or which is subject to Federal restriction against alienation, including mineral resources and mineral estates reserved to an Indian tribe or an Indian allottee in the conveyance of a surface or nonmineral estate, except that such term does not include any lands subject to the provisions of section 3 of the Act of June 28, 1906, . . . (identified as) 30 U.S.C.1702(1),(3)."

All right. But they continue to argue that you refuse to "acknowledge the distinction between federal lands and Indian lands."

And they say, "the Department's agencies have absolved themselves from the need to draw the distinction between the government's prerogatives as a landowner on the one hand, and its duties as a trustee on the other."

They say you don't draw the distinction between the Government as the owner of the land and the Government as a trustee of the land.

Mr. **Bettenberg**. I think that is an incorrect statement on their part.

Mr. **Yates**. Let's go on.

Mr. **Bettenberg**. If I could explain a couple of things.

Mr. YATES. You may want me first to let them tell you why they think that is so before you want to answer it.

They say this: "It would be perfectly acceptable to the member tribes of CERT if the government were to devise a royalty management scheme that did, in fact, represent an aggressive exercise of the government's trust responsibility and then were to elect to apply that system to it own properties as well. That has quite clearly not been done, however. The proposed rules that both MMS and BLM have published make it clear that in their view, it is 'appropriate to use the same criteria' for Indian leases and for federal leases, 'for several reasons'."

Those are quoted from your regulations, I think, are they not?

Mr. BETTENBERG. I don't know what the quotes are.

Mr. YATES. Would Mr. Hill?

Mr. HILL. No.

Mr. YATES. Let me read it again, then.

"The proposed rules"—I assume this is now out.

Mr. BETTENBERG. They were put out in January.

Mr. YATES. "The proposed rules that both MMS and BLM have published make it clear that in their view, it is 'appropriate to use the same criteria' for Indian leases and for federal leases, 'for several reasons'."

Apparently, they are citing what you are saying in your new proposed guidelines.

You are saying there is no distinction.

Mr. BETTENBERG. In our draft guidelines, we take the position that the same guidelines for purposes of valuing products should apply to both Indian and Federal.

I think it is fair to say if you determine what a fair amount is for Indian leases in terms of valuation, we see no reason why we shouldn't apply this to Federal lands.

Mr. YATES. Depending on what the situation is with respect to Federal lands. You are saying as a general rule they should be comparable.

Mr. BETTENBERG. We would think so.

Mr. YATES. This is why they say they think you say they should be the same.

"The reasons cited include limiting confusion for lessees; providing consistency in operations on federal as well as Indian lands for lessees; reorganization and clarification of existing regulation; bringing the regulations into conformity with the present organizational structure of the Department; establishing a format that will be applicable to all leasable minerals; and finally, 'Establishing a comprehensive and reasonable royalty valuation policy satisfies the Secretary's responsibility as trustee for Indians in the administration of leases'."

That is a quote from the regulation. Mr. Hill says yes.

Mr. HILL. Not from the regulation, I don't think.

Mr. YATES. I mean from your proposed guidelines.

Mr. HILL. I am not aware of that as a quote.

Mr. YATES. Well, they are quoting, presumably they are quoting from what they say is the proposed rules.

Mr. HILL. Yes, sir.

Mr. **Yates**. "In short, for reasons of administrative convenience, and to ease what the Department perceives as confusion on the part of the oilmen who do business with us every day, the Department has proposed to adopt rules for the valuation of oil and gas from federal leases; for the valuation of coal produced from federal leases; for providing site security on federal leases; for determining processing allowances for gas producers on federal leases; for determining transportation allowances for all minerals produced from federal leases; and in each and every instance the Department has concluded that, if the rules are reasonable, what is good enough for the government as land owner must satisfy its responsibiiities as trustee of Indian resources as well."

Mr. **Bettenberg**. Do they have any examples of things where they think that our proposed guidelines do not meet our trust responsibility?

Mr. **Yates**. Apparently they do. We will go on. All right.

"At no point in more than 100 pages of proposed regulations of the MMS and the BLM is the government's fiduciary duty to Indian tribes or allottees cited as any reason for any proposed rule."

Is that correct, Mr. Hill?

Mr. **Hill**. I don't recall it being cited.

Mr. **Yates**. Well, they would say it has not been cited. They think apparently there ought to be a distinction drawn between regulations established for the Government as a land owner and the Government as a trustee.

They say that in none of your rulemaking pages or proposals is that distinction recognized. Would you say that was true?

Mr. **Hill**. I think that is probably accurate. It is true.

Mr. **Bettenberg**. I guess I would again argue that if we had met our trust responsibility in those guidelines, I see no reason why they should not be applied to Federal lands, as well.

Mr. **Yates**. This is what they say. "The CERT tribes have urged for years that the government as land owner can do what it pleases with its resources. But it cannot be so cavalier with respect to those resources it holds in trust for Indian tribes and individuals."

You would agree with that, too?

Mr. **Bettenberg**. I certainly agree with that.

Mr. **Yates**. Then once again——

Mr. **Bettenberg**. Let me retract that. I guess what I would say is that I don't think in any regard are we cavalier with the valuation regarding public lands.

Mr. **Yates**. Cavaliers went out during the restoration period. All right.

"Once again, the plain language of the statute could not be more clear." The statute says "It is the purpose of this chapter to fulfill the trust responsibility of the United States for the administration of Indian oil and gas resources; and to effectively utilize the capabilities of the States and Indian tribes in developing and maintaining an efficient and effective royalty management system."

Mr. **Bettenberg**. Those kinds of things we are doing.

Mr. **Yates**. Okay. They take issue with you.

Then they say this: "Management Decisions. Having decided as a matter of policy there is no difference between federal and Indian lands——"

Mr. **Bettenberg**. Which we have not done.

Mr. **Yates**. Which you have not conceded.

Mr. **Bettenberg**. So they start with a false premise.

Mr. **Yates**. All right. I will accept that—"Having decided as a matter of policy there is no difference between federal and Indian lands, the management decisions to implement this policy decision, of course, only magnify the errors."

You say that is a false premise.

Mr. **Bettenberg**. We treat Indian leases different than other leases every day of the week.

Mr. **Yates**. These are valuation guidelines and you have the same valuation guidelines?

Mr. **Bettenberg**. In the valuation guidelines, we think we should do the valuation the same.

Mr. **Yates**. Okay. All right.

Mr. **Bettenberg**. We put substantially greater audit resources on Indian leases than we do on other leases.

Mr. **Yates**. Let's find out what they think is wrong.

"The division of responsibility for Indian mineral development among three separate agencies is simply not working. BIA, MMS, and BLM all have significant responsibilities in this matter. We are not saying this division of responsibility could not work; we are saying that it is not working."

Now, we will again take this matter up when we have BIA before us for its appropriation in a week or so and also when BLM comes up next week as well and find out how well they think it is working.

They say, "Nor are we suggesting that the problems confronting the resource or royalty manager are simple. We suggest it is the MMS which has underestimated the magnitude of the task before them."

After listening here this morning I wonder whether they are right. I have the impression you think it is a big, big task.

Mr. **Bettenberg**. I think it is a big task.

Mr. **Yates**. A big, big task, two "bigs".

Mr. **Bettenberg**. Two bigs.

INDIAN PARTICIPATION IN DEVELOPMENT OF ROYALTY SYSTEMS

Mr. **Yates**. "We are confident, however, that no system devised will solve their problems until they realize what the true nature of those problems is. We suspect that nowhere in the world but the U.S. Department of the Interior would so much time, effort and money be spent on a system without once asking the end-user of the system what functions it should serve."

Mr. **Bettenberg**. That has not happened, of course.

Mr. **Yates**. What do you mean by that?

Mr. **Bettenberg**. We have dealt with the states, the tribes, and industry in development of the system. We have dealt with them in development of the state and tribal support system. We had tribes in that signed agreements that that system provides the data that they want.

Mr. **Yates**. Let's listen to what they say.

Mr. **Bettenberg**. We have provided hardware to them.

Mr. **Yates**. They have a list of the management failures. "The tribes need this information to plan their budgets and investments; to schedule their capital expenditures; to administer tax codes; to plan the management of the development of their reservation resources; and to ensure that they and their succeeding generations are not deprived of the value of their non-renewable resources. The Linowes Commission stated it eloquently when it reported, '. . . that democratic institutions rest on a foundation of faith in the competence and accountability of government'."

All right. Now, a paragraph entitled Management Failures. "There can be no faith in a system that is designed for the convenience of the system's operators, and with no regard for the needs of the users of that system. MMS has approached its task as an exercise in regulatory systems design. Indian mineral development agreements that do not fit the system are thrown out."

Mr. **Bettenberg**. That is not correct.

Mr. **Yates**. Let's continue for a moment and let you reply in just a moment.

"The statute plainly defines as a lease, for purposes of FOGRMA, any 'contract, profit-share agreement, joint venture, or other agreement issued or approved by the United States under a mineral leasing law that authorizes exploration for, extraction of, or removal of oil or gas'. MMS has advised producers not to bother even submitting production data from operations under any agreement that is not a standard lease——"

Mr. **Bettenberg**. I am advised that is not correct.

Mr. **Yates** [continuing]. "Because it does not fit the system designed for convenience in the administration of federal leases."

In other words, you want total uniformity in federal leases is what they are saying.

Mr. **Bettenberg**. Well, that might be desirable. That is not what——

Mr. **Yates**. You do not have uniformity in Federal leases, you mean?

Mr. **Bettenberg**. Absolutely not.

Mr. **Yates**. All right. Let's go on. They say that is bad, and you say that is bad, too, then don't you?

Mr. **Bettenberg**. Yes.

Mr. **Yates**. It is desirable, but you recognize that it can not be, right?

Mr. **Bettenberg**. I think what they are talking about is are leases issued under the new Indian Mineral Leasing Act which are non-standard. Everyone is different.

So far as I know there has not been any production under any of those yet, but there is no way that we can design a computerized system for each non-standard lease.

One of them might be a profit-sharing.

Mr. **Yates**. So you have to have standard leasing in order to get your computer system working.

Mr. **Bettenberg**. The point is under those situations then you don't use the system, you audit, and we do that.

Mr. **Yates**. I see. If I understand your testimony before, I thought you were looking to embody all these into your computer system.

Mr. **Bettenberg**. No. They are two very different things.

TRIBAL ACCESS TO DATA

Mr. **Yates**. All right. This is what they say. They, the Indian tribes. "MMS has refused tribes access to the production data which it does collect, citing the propriety interests of lessees."

Mr. **Bettenberg**. I am not aware of any situation where we have denied them access to the production data that we collect.

Mr. **Yates**. Well, do any of your employees know that?

Let me ask Mr. Detlefs.

Mr. **Detlefs**. Because we have various Indian leases reported on the same report, we cannot necessarily give copies of all Indian lease reports to one tribe because it affects allottees as well as other tribes. We can provide information to each tribe individually, but the whole report can't be copied and given to them because of proprietary information. When you have on a given report, a large oil company with 25 leases, those leases may relate to several tribes and several allottees.

We are not allowed to give all that information, a copy of all the report, to one tribe.

Mr. **Bettenberg**. What Mr. Detlefs is saying is that we will give to any Indian tribe all the data affecting the leases on that reservation, but we will not give them the full report submitted by the company where that report covers many different tribes or states.

We will give them only the data from that report that relates to that tribe.

Mr. **Yates**. And you do give them the data from that report that relates to that tribe.

Mr. **Bettenberg**. Yes. In addition to that—as a matter of fact, we have one person from the Navajo tribe on an IPA working with our data day in and day out in Lakewood.

Mr. **Yates**. Suppose——

Mr. **Bettenberg**. They have full access to the data.

Mr. **Yates**. Suppose the data, which is combined, relates in some measure to the data for an individual tribe the data that you don't show them.

Mr. **Bettenberg**. Any lease would apply to a single tribe or a single group of allottees. Those people would have access to the data related to their leases.

That is what the whole state and tribal support system is about—giving them that access. That system is actually wiring them in and giving them computer access to that data.

Mr. **Yates**. Are you saying then you are complying with paragraph 1715 of FOGRMA which says this, "When any payment (including amounts due from receipt of any royalty, bonus, interest charge, fine, or rental) is made by the United States to a State with respect to any oil or gas lease on Federal land or is deposited in the appropriate Indian account on behalf of an Indian tribe or Indian allottee with respect to any oil and gas lease on Indian lands, there shall be provided, together with such payment, a description of the type of payment being made, the period covered by such payment, the source of such payment, the production amounts, the royalty rate, unit value and such other information as may be agreed upon by the Secretary and recipient State, Indian tribe or Indian allottee."

Mr. **Bettenberg**. We are not fully in compliance with that yet. We are doing a substantial——

Mr. **Yates**. The Indians have a justified complaint then, don't they?

Mr. **Bettenberg**. Absolutely. I have not denied that.

Mr. **Yates**. I thought you just denied it.

Mr. **Bettenberg**. That is very different from what he is saying. He is saying there we have data which we are not making available to them and any tribe, any allottee can get the data from their lease. What the section of the Act is talking about is the reporting mechanism on regular payments. Let me describe where we are in that regard.

First, the mechanism. We collect the money from a lessee. We provide a report directly to the tribe that covers most of the data you said there. It does not include production amounts. It includes sales amounts rather than production.

Mr. **Yates**. Is there a reason for that? The statute says you are supposed to do it.

Mr. **Bettenberg**. Yes. The reason is that royalties are collected on sales rather than on production. You recall last year, I indicated that we have a production accounting system in place. We are putting a production accounting system in place only at this point for the offshore area, the solid mineral leases and a few pilot companies that we have for onshore Indian leases. We were going to study that for cost effectiveness before we proceeded any further.

That study is going on right now and is scheduled to be done this Fall. At this point, we typically do not have, in the Minerals Management Service, production data which we can compare with sales data.

There can be differences and that is what the production accounting system is all about. That is what the study is examining as whether that is an effective way to do those kinds of comparisons or whether alternative approaches ought to be done.

We provide tribes with an explanation of payments from our system which explains the basis of the payment, the amount and so forth. There are some weaknesses in that report.

The reason is that the system was designed before FOGRMA was enacted and so we have some features that we have to add to the system in order to be able to make that report as useful as it can be.

It is nonetheless of substantial use to the tribes and to the states. For Indian allottees, the situation is more complex. In those cases, we give the explanation of payments and the money to the Bureau of Indian Affairs. The BIA then, through its trustee accounts, has to divide that money up among all of the allottees. Often those allottees get only a very small portion of it, sometimes I believe even less than one percent of the amount from a lease.

Mr. **Yates**. The question that comes to my mind immediately is does BIA, to whom you give the money, ever question whether that amount is adequate or correct? Or do they just accept it from you and make the distribution?

They have a trustee responsibility, do they not?

Mr. **Bettenberg**. Well, we have a trustee responsibility. We have the trustee responsibility for assuring that it is correct.

Mr. **Yates**. What you are saying, then, is BIA has no responsibility to inquire into it because presumably you have the same responsibility, and therefore, the trust responsibility has been discharged when you make the payment to BIA.

Mr. **Bettenberg**. That would be correct. If BIA has any information that would lead us to conclude that it is wrong——

Mr. **Yates**. BIA does not have any of the information at all, does it? It has to accept what you tell them.

Mr. **Bettenberg**. Somebody from the BIA might come across some information for a variety of reasons that they would bring to our attention.

Mr. **Yates**. It occurs to me you have got this chain of distribution and what do the recipients of the allotment do? What can they do if they feel aggrieved here?

Do they go to you or do they go to BIA?

Mr. **Bettenberg**. If they feel aggrieved, we have an audit procedure set up where they raise the question with BIA, with their local area office, agency, and they then send that question to us and we respond. If it requires an audit, then we schedule an audit.

If it is something that can be handled more simply, then we try to do that. Very often they can ask a question that can be phoned in and responded to immediately.

Mr. **Yates**. It occurs to me, why do you use BIA as the transmitting agent? Why don't you go directly to those who are supposed to receive it?

Mr. **Bettenberg**. Well, BIA has a broader responsibility in terms of allottees. Those allottees might have an oil and gas lease. They might have a timber lease. They might have both on a particular parcel. They might also have various other kinds of divisions that go to allottees.

Mr. **Yates**. So BIA has the responsibility of approving that lease in the first instance, doesn't it?

Mr. **Bettenberg**. They approve the lease in the first instance and they keep the records on allottees.

Mr. **Yates**. Presumably they are taking care of the proprietary interests of the allottees because they have approved the lease.

Mr. **Bettenberg**. Yes.

Mr. **Yates**. Why doesn't BIA fight you? Why do the allottees have to fight you?

Mr. **Bettenberg**. Allottees typically don't fight us as a matter of fact.

Mr. **Yates**. Then CERT is certainly unhappy, whatever this action, the Council of Energy Resource Tribes is very unhappy with what you are doing.

It occurs to me if CERT is unhappy, why isn't BIA in here questioning that?

Mr. **Bettenberg**. We are working together with BIA. There is some information we could provide them that would be more useful to them and we have that planned as we convert the system over from a reporting standpoint.

Mr. **Yates**. If the tribes want information that you say you can't give them because it is proprietary in nature, can you give that information to BIA?

Mr. **Bettenberg**. I don't know whether we could or not. I am not aware of any tribe that has asked for any information that has not been satisfied.

Mr. **Yates**. Well, I have just read you that.

Mr. **Bettenberg**. CERT isn't a tribe.

Mr. **Yates**. CERT is a combination of tribes.

Mr. **Bettenberg**. CERT is a bureaucracy presumably funded by some tribes.

Mr. **Yates**. Let me point out who the Board members of CERT are: Blackfeet, Chemehueyi, Cheyenne-Arapaho, Cheyenne River Sioux, Chippewa Cree, Coeur d'Alene, Crow, Fort Belknap, Fort Berthold, Fort Peck, Hopi, Hualapai, Jemez Pueblo, Kalispel, Laguna Pueblo, Muckleshoot, Northern Cheyenne, Pawnee, Ponca, Rosebud Sioux, Santa Ana Pueblo, Saginaw Chippewa, Seminole of Florida, Shoshone-Bannock, Southern Ute, Spokane, Tule River, Umatilla, Ute, Walker River and Zia Pueblo. Those are tribes.

Mr. **Bettenberg**. Not very many are energy tribes, I don't think.

Mr. **Yates**. They say they are.

Mr. **Bettenberg**. Have they given you an example?

Mr. **Yates**. Of what?

Mr. **Bettenberg**. Of a piece of information somebody wanted that we haven't given them?

Mr. **Yates**. I just read that to you.

Mr. **Bettenberg**. No. You read an allegation they didn't substantiate.

Mr. **Yates**. You want a specific instance?

Mr. **Bettenberg**. Give me one example.

Mr. **Yates**. We will find one for you.

Mr. **Bettenberg**. They have said that, but so far as I know we provide—I will make this commitment in that sense—any tribe that needs any information on the production or sales or other information affecting its leases, we will provide them with that information.

We have agreements signed with tribes on what it is they want from our state and tribal support system and we have the tribes wired in by computer.

Mr. **Yates**. Well, here is what Mr. Synar's committee on Government Operations says about that. On page 9—this is a report that was issued on July 19, 1985. "A Failure to Provide Indian Allottees with Royalty Payment Information."

They quote Section 105 of FOGRMA, then they say this. "As of the April 8th hearing——

Mr. **Bettenberg**. April of last year?

Mr. **Yates**. Were you there?

Mr. Bettenberg. No.

Mr. Yates. Okay. Somebody in your office should have been there, I guess.

Mr. Bettenberg. Mr. Mayberry was.

Mr. Yates. Is he here?

Mr. Bettenberg. No, he is ill.

Mr. Yates. That is the one who is ill. That is Jimmy Mayberry.

"As of the April 8 hearing held by the Subcommittee, 18 months after section 105 was to be effective, none of the approximately 26,000 Indian allottees had received any written explanation of their royalty payments."

Mr. Bettenberg. That is true.

Mr. Yates. "The Department has generally taken the position that the information is on record at the BIA agency offices and is available for Indians to come in and review."

Mr. Bettenberg. I don't think that that is—that wouldn't have reflected——

Mr. Yates. That is BIA, that is not Minerals Management Service.

Mr. Bettenberg. Let me explain what was in process at that time.

Mr. Yates. Let me read one more sentence and then I will let you answer.

"However, as BIA representatives admit, the data that is available at BIA offices is not 'an individualized document that would make any sense to an individual Indian.' "

Then they go on to say——

Mr. Bettenberg. We would certainly agree with that.

Mr. Yates. "An explanation of payments is particularly important to allottees, many of whom have interests in several mineral leases. For example, an allottee receiving rents and royalties from several leases may receive only one or two checks from BIA each month. Without any accompanying explanation, the allottee does not know if all leases are paying royalties, how much is being paid on each lease, where the payments came from, or any information about the production from those leases."

So either you are at fault or BIA is at fault.

Mr. Bettenberg. No. But that requires some explanation.

Mr. Yates. Please explain.

Mr. Bettenberg. Let me retract the "no" and give you a qualified no.

Mr. Yates. Give us a qualified yes, too.

Mr. Bettenberg. A qualified yes, too. I traced through the payments for allottees up to the point we provide the information to the BIA. The information that we provide to the Bureau of Indian Affairs is not as useful as it needs to be and we have scheduled some fix to the system to include that aspect of it.

Mr. Yates. So it is not useful now. Go ahead.

Mr. Bettenberg. I don't think I said that. I think I said it is not as useful as it could be.

Mr. Yates. Okay.

Mr. Bettenberg. But it is particular with regard to each lease, each company, each selling arrangement and so forth.

Now, the Bureau of Indian Affairs had in process at the time that report was written, and as probably mentioned somewhere in the report, because they were informed of it, that they had in process a system that would then break down our explanation of payments for the various leases to the allottees because they have the allottee records.

That system went live in the Anadarko area, as I recall, last summer, which covers, I believe, all of the Oklahoma allottees, a substantial portion of the allottees, and there were plans at that point to put that system up nationwide.

Before that, the Bureau of Indian Affairs had never given any allottee a statement of what they were getting their check for. Just as the Conservation Division had never given an explanation of its payment.

The BIA system has now been put up in the Billings area as well. My understanding is that it is either in place or going into place for Navajo and one other area. Then they will have covered 85 percent of the allottees.

Their intention is to cover, as I understand it, 100 percent of the allottees. When they were issuing that report, all they were telling you was what we were telling them, what allottees were telling them and the portion, what you haven't read—I don't know whether it is in the report—but there was no mention in what you read of the fact that a system was under development and was going into place. What I am telling you now is that system is in place and allottees in fact are getting an explanation of payments in at least two areas.

Mr. YATES. When did that system start?

Mr. BETTENBERG. It went into effect in the Anadarko area probably about June, and then some time I believe last Fall for the Billings area. It is being put up in the other areas.

Mr. YATES. Why then do we get this letter on February 22, 1986? Do you know what occurs to me all of a sudden? That BIA isn't doing their job and that BIA, even as trustee, is in a conflict of interest position because you have two agencies of the Federal Government that really are in a conflict position.

You are paying BIA which is the trustee for all the allottees and BIA is suppose to question your payments to see if they are adequate and is supposed to report to its beneficiaries and you are saying now we are finally starting to report to them.

Mr. BETTENBERG. We are exercising the Secretary's trust responsibility so far as collecting the money is concerned.

Mr. YATES. Wait a minute. You are collecting the money, but you don't know whether the collections are adequate. The allottees don't know whether the collections are adequate and BIA does not know whether the collections are adequate and BIA has the responsibility on behalf of the allottees to determine whether those collections are adequate, doesn't it?

Are you saying that you have that responsibility?

Mr. BETTENBERG. I think we have that responsibility and we have that responsibility with other Federal lands.

Mr. YATES. Then for heaven's sake, you are opening up the United States for a tremendous lawsuit because, on the basis of your testimony here this morning, you are saying that you are not really doing an adequate job of knowing whether or not the amounts you are collecting are the correct amounts.

Mr. BETTENBERG. I think what I said is we are getting better and better at that.

Mr. YATES. Sure you are. Sure you are getting better and better. It has been four years since the Linowes Commission issued its report. FOGRMA was passed two years ago and you are still struggling to try to get these regulations approved.

You don't know when they are going to be approved.

Mr. BETTENBERG. That is only one small piece of the whole effort.

Mr. YATES. Yes, but let's get back to this a minute.

I think I am going to go into this question with BIA and see whether there ought not to be an independent agency established, an auditing firm established on behalf of these allottees.

Mr. BETTENBERG. Well, we have auditors who are doing that.

Mr. YATES. But they are your auditors.

Mr. BETTENBERG. They are the Government's auditors.

Mr. YATES. They are the Government's auditors, aren't they? Who are your auditors?

Mr. BETTENBERG. Mr. Moyers back here is.

Mr. YATES. Are they Government people?

Mr. BETTENBERG. Yes, they are.

Mr. YATES. Do they work for MMS?

Mr. BETTENBERG. Yes.

Mr. YATES. You are saying you represent the allottees. You are providing the allottees with money. Some of the allottees have written me this letter saying——

Mr. BETTENBERG. I don't know if any of those people are allottees or whether CERT represents them.

Mr. YATES. They have got to be. CERT is the organization for the natural resources of many of these tribes.

Mr. BETTENBERG. The tribes are different than allottees.

Mr. YATES. All right. But the allottees are members of tribes.

Mr. BETTENBERG. In probably all instances.

Mr. YATES. Are you saying the tribes don't represent their individuals on many of these things?

Mr. BETTENBERG. My understanding is the allottees don't want the tribes to know a lot of the information we have got.

Mr. YATES. You mean because they have to make payments to the tribes or something like that?

Mr. BETTENBERG. Right.

Mr. YATES. Kind of like an income tax situation?

Mr. BETTENBERG. In effect, yes. But we have a very large——

Mr. YATES. Are there no tribes that receive allotments as tribes?

Mr. BETTENBERG. Tribes receive payments as tribes for tribal lands as opposed to allotted lands.

Mr. YATES. So they are allottees as well then?

Mr. BETTENBERG. They are not allottees. They are tribes with tribal lands.

Mr. YATES. They get payments.

Mr. BETTENBERG. Yes.

Mr. YATES. Something in this does not ring true to me. The allottees seem to me under the very structure that we have here aren't really getting a fair deal. Let me ask the question, are there independent auditors who go over your audits?

Mr. **Bettenberg**. Well, I have described the Minerals Management Service as a cottage industry for auditors. We have your investigators and the General Accounting Office.

Mr. **Yates**. We have made one investigation since the Appropriation Committee has been in existence as far as I know, and that goes back 100 years.

Mr. **Bettenberg**. The General Accounting Office is typically in.

Mr. **Yates**. They look at your books, however?

Mr. **Bettenberg**. Continuously.

Mr. **Yates**. Once every two or three years?

Mr. **Bettenberg**. I think they have probably more than one audit going at all times in various aspects.

Mr. **Yates**. We will call GAO and find out just how it stands. We will call GAO to find out how frequently they look at your books.

Mr. **Bettenberg**. We also have the Inspector General's Office. Last count, I think, they had done some 80 audits in the last few years.

Mr. **Yates**. Do you want to hear what the IG said, or do you know what the IG said in April 1986?

Mr. **Bettenberg**. I read that last night, just got it yesterday.

Mr. **Yates**. Let me refresh your memory, on page 9 for BIA, not for you. For BIA the Office of Inspector General noted, "(1), Royalties and interest in excess of $1 million had not been distributed to tribes and allottees, (2) in other cases royalties had been overdistributed to allottees, and (3) some BIA offices were remiss in depositing checks, contrary to sound cash management principles." That is BIA, not you.

You have given money to BIA or in some instances the amount you gave was not adequate; in some instances, too much. BIA isn't doing anything about it.

That is why I wonder whether BIA is the proper functionary to receive the payments that you make for the Indian allottees or whether there ought to be some independent receptacle with the right to question whether or not what you have done is correct.

I imagine that if you were the auditor, you would say that sounds like a very good idea, wouldn't you? I think you would.

Mr. **Bettenberg**. What I am saying is that we do have, in fact, a large team of auditors who are working on Indian leases, both Tribal and allotted.

Mr. **Yates**. How many do you have?

Mr. **Bettenberg**. We have 20-some who are dedicated exclusively to Indian matters right now, 28.

[Committee note.—The agency has subsequentially corrected the number of auditors from 28, as stated in the original testimony, to 8.]

Mr. **Yates**. How many allottees are there?

Mr. **Bettenberg**. There are 4,000 some leases.

Mr. **Yates**. Four thousand leases and how many allottees?

Mr. **Bettenberg**. We don't audit allottees just leases.

Mr. **Yates**. How do the allottees know? If you don't audit allottees, how do they know whether they are getting the correct amount that you give them?

Mr. **Bettenberg**. Well, we are providing them with the amount——

Mr. **Yates**. BIA is supposed to do that, aren't they? They are supposed to tell you whether you are giving them the correct amount?

Mr. **Bettenberg**. We are supposed to be giving BIA the correct amount. They then have to divide it up among all the allottees.

Mr. **Yates**. The situation now is that you have 28 auditors for 4,000 leases.

Mr. **Bettenberg**. Plus we have our collection systems.

Mr. **Yates**. What does that mean?

Mr. **Bettenberg**. Billable exceptions processing, for instance, where payments are late. We have billed for extra interest on behalf of those allottees.

Mr. **Yates**. Is that a manual effort?

Mr. **Bettenberg**. No.

Well, the computer spits it out. There is a manual review to assure that the information is correct.

Mr. **Yates**. How many people do you have in that operation?

Mr. **Bettenberg**. I don't know. Let me ask Mr. Detlefs.

Mr. **Detlefs**. Right now we have devoted up to two people full-time to do Indian interest exceptions processing until the contractors come on board.

We only had limited resources so we devoted two people full-time to Indian leases, both allotted and tribal, just for late payment billing.

Mr. **Yates**. You have two people. Will you still have them after Gramm-Rudman?

Mr. **Detlefs**. Yes, because we have the contractor that is going to be doing the work full-time through the amendment.

Mr. **Yates**. Who is the contractor?

Mr. **Detlefs**. International Business Systems, IBS.

Mr. **Yates**. What does their contract require them to do?

Mr. **Bettenberg**. Their contract requires them to take all the potential exceptions that are turned out by the computer system and to review those for whether they are appropriate or whether there is some problems with the data and to then turn those over to Mr. Detlef's people for actual billing.

We billed out, as I recall, something like $1.2 million last month through that effort. That was the first full month of effort.

Mr. **Yates**. Are there any errors in that system that have been disclosed?

Mr. **Bettenberg**. There is data that is wrong. That is what they are scrubbing to make sure the potential exception isn't caused by a wrong piece of information.

Mr. **Yates**. Are two people enough for the job, Mr. Detlefs?

Mr. **Detlefs**. We did that as an interim until we implemented fully the billable exception process.

Basically, we had about 12 people in total looking at the exception process. We diverted two from the overall Federal part to do just Indians, basically a larger percentage than the dollars we collect for Indians.

Mr. **Yates**. Two people had to review how many pieces of paper or whatever it is they have to review?

Mr. **Detlefs**. What happens is every month the computer spits out potential exceptions and I underline, potential.

They manually have to scrub through that information to see if they are legitimate exceptions or not.

Mr. **Yates**. How many were there in that month?

Mr. **Detlefs**. I don't know for any given month. Basically, we found the percentage would vary month by month.

As far as dollars, maybe half the dollars would be considered valid for which we would send bills out to industry. That could go up to 75 percent, as low as 35 or 40 percent of potential bills were valid bills after we reviewed the information.

Mr. **Yates**. Here you have two people. I am kind of interested in finding out how many pieces of paper they had to look at.

Mr. **Detlefs**. Pieces of paper?

Mr. **Yates**. What does a computer spit out? It spits out a print out.

Mr. **Detlefs**. It spits out exception reports filed by industry, did they pay late or did they not, and then goes through various collateral reports to make sure, in fact, we had valid information.

It is quite a detailed process.

Mr. **Yates**. Fine.

How many such pieces of paper, or whatever you call them, are there that the two people have to look at to see whether or not they have to take action on them?

Mr. **Detlefs**. In some cases, they have to go to what was received in our document processing room to make sure the date was accurate, so on and so forth, to make sure we are not embarrassed by a bill that might be incorrect.

Mr. **Yates**. I agree with you. I am trying to find out how many pieces of paper.

Mr. **Detlefs**. I don't know. I never counted the pieces of paper.

Mr. **Yates**. I wonder; is there a lot? Is there a few?

Mr. **Detlefs**. It is very manually intensive.

Mr. **Yates**. Manually intensive means what? What I am trying to find out is how accurate your personnel can be.

Here they are with, I kind of think, a Charlie Chaplin film, with the computer spitting out all these pieces of paper and two people being drowned by this flood of paper.

I am trying to find out from you how many pieces of paper there are.

Mr. **Bettenberg**. Since he doesn't know the number of pieces of paper, the people who actually do it might not know.

Mr. **Yates**. Let me ask you a question.

Have you seen the so-called spit out of the computer?

Mr. **Detlefs**. Yes, I have seen the spit out of the computer.

Mr. **Yates**. How many pieces of paper does a computer spit out?

Mr. **Detlefs**. As far as Indian leases themselves? You could probably have, just guessing, 2,000 to 3,000 pages of potential exceptions.

Mr. **Yates**. How often?

Mr. **Detlefs**. Per month, but that can vary, either up or down.

Mr. **Yates**. A large exception or a small exception? Can that go up to 6,000 pieces of paper?

Mr. **Detlefs**. It might go up to 4,000 or 5,000, might be down as low as 1,500 or 2,000.

Mr. **Yates**. Two people can deal with that?

Mr. **Detlefs**. They deal with that continually every month.

Mr. **Bettenberg**. That is their job.

Mr. **Yates**. Does the question of interest payments depend on their accuracy?

Mr. **Detlefs**. Certainly, as far as the amount of revenue collected.

We want to determine our bill is legitimate before we mail it out.

We have collected about $600,000 in Indian interest in the last year or so.

Mr. **Yates**. Is this a point at which some slowness develops in interest payments because you are accused of slowness in interest payments?

Mr. **Bettenberg**. That is a different issue.

Mr. **Yates**. In what way?

Mr. **Bettenberg**. What we are doing in this process is billing companies who pay us late.

The slowness in payments that you are concerned about or that you are mentioning now is once we have the money, how much time does it takes us to get it to the tribe, to the Bureau of Indian Affairs, or to the State.

Mr. **Yates**. I see.

Mr. **Bettenberg**. When we are slow in distributing the money, we are required to pay interest on that.

Mr. **Yates**. How often does that happen that you are required to pay interest?

Mr. **Bettenberg**. Well, last year at some point we were typically running up a bill of over $100,000 a month. Right now it is approximately $40,000 a month.

Mr. **Yates**. Do we appropriate money for you to pay the interest?

Mr. **Bettenberg**. Yes.

FOGRMA requires the interest be paid.

Mr. **Yates**. How does Gramm-Rudman affect that?

Mr. **Bettenberg**. Well, since you didn't appropriate it in accordance with our request, you can't take 4.3 percent of zero.

We have submitted a supplemental, which you have modified, but that would provide the amount. Since the amount hasn't been appropriated yet, I assume it is not subject to Gramm-Rudman.

Mr. **Yates**. Is there any way we can avoid having to appropriate funds to pay your interest?

Mr. **Bettenberg**. Change the law.

Mr. **Yates**. So that no interest is required to be paid?

Mr. **Bettenberg**. That is the only way I am aware of.

Mr. **Yates**. You mean you will never catch up with it?

Mr. **Bettenberg**. No.

Mr. **Yates**. If you caught up with it, you wouldn't have to pay interest, would you?

Mr. **Bettenberg**. No, it is not a problem of catching up with it. The problem is that we are required on Indian leases, for instance—as a matter of fact, there is a second solution that would be helpful in regard to Indian leases that also requires a change in the law—but we are required to pay to the tribe or to the Bureau of Indian Affairs for allottees the money we receive in any month by the end of that month.

Since most payments are due at the end of that month, that means that the money that comes in the last couple of days can't physically be paid out in that time, so we will always have a lag there and also have an interest payment.

Apart from just the pure physical problem, if the person paying has given us the cash but not a sufficient explanation to know where it goes, because of some sort of reporting error or that sort of thing, then we have to hold that cash in suspense until we get the information, and that is the other portion on which we have debated.

Mr. YATES. Has the administration requested a change in the law?

Mr. BETTENBERG. It has not.

Mr. YATES. Have you brought it to the attention of somebody in the administration?

I guess it would be OMB, wouldn't it?

Mr. BETTENBERG. We have had some discussions with the staff of the Interior and Insular Affairs Committee with regard to that.

Mr. YATES. Let's go back to finishing the CERT letter before we go to lunch.

They say this. "Those tribes with taxation systems based on production are, thus, unable to verify the basis for their tax asssessments. The MMS system might well have been designed to accomplish these objectives and to permit tribal access, but so far as we know this was not done.

This reflects one of the other principal failures in the implementation of FOGRMA. The statute plainly recites the Congressional purpose of utilizing the capabilities of tribes in the development of the system. Both MMS and BLM have refused to permit the tribes even to participate."

Mr. BETTENBERG. That is incorrect.

Mr. YATES. Okay.

Mr. BETTENBERG. I think I can give you signed documents where the tribes have agreed to what is being provided in the State and tribal support system.

Mr. YATES. I think you ought to put those in the record.

[The information follows:]

MEMORANDUM OF UNDERSTANDING
WITH THE
MINERALS MANAGEMENT SERVICE
REGARDING THE
STATE AND TRIBAL SUPPORT SYSTEM

I. INTRODUCTION

The purpose of this Memorandum of Understanding (MOU) is to document agreements and understandings between the Minerals Management Service (MMS) and No. Arapahoe Tribe (the "user") regarding the State and Tribal Support System (STATSS). This MOU covers the scope and content of STATSS, division of responsibilities and costs, system functional requirements, protection of proprietary information, and procedural issues.

II. SYSTEM CONCEPTUAL FRAMEWORK

STATSS is an information access system designed to furnish existing RMP accounting data to external users -- states, tribes, and Federal agencies. STATSS data will be provided via a telecommunications connection between the MMS mainframe computer in Lakewood and remote microcomputer workstations at user-specified locations. These workstations will be used to query the RMP database, to receive data files from the mainframe, and to perform data processing.

STATSS is being developed and implemented in two phases. Phase I includes the database and files from the Auditing and Financial System (AFS) as well as the hardware, basic software, and telecommunications necessary to make the system functional. Phase II will incorporate information from the Bonus and Rental Accounting Support System (BRASS) and the Production Accounting and Auditing System (PAAS).

STATSS is an information access system only and does not affect AFS, PAAS, or BRASS processes, reporting requirements, or schedules. STATSS Phase I characteristics and capabilities are explained in the Functional Requirements Document.

III. DIVISION OF RESPONSIBILITIES AND COSTS

STATSS is being designed and developed by the Royalty Management Program (RMP) for the benefit of states, Indian tribes, and allottees. As such, RMP will bear the majority of the costs and responsibilities for hardware procurement, software development and maintenance, and communications. Users will bear certain costs related to onsite equipment and special software. Following is a delineation of responsibilities and costs by category.

A. Hardware

1. MMS agrees to determine the basic remote site equipment configuration to be used for STATSS as well as any options and alternatives for compatible configurations.

2. MMS agrees to fund the basic STATSS remote site equipment configurations for the major STATSS users. This equipment will be provided on a loan basis, free of charge, for an indefinite time period. Users desiring to avail themseleves of this opportunity will attach a completed "Request for Equipment Loan" to this MOU.

3. Users who do not wish to utilize MMS equipment on a loan basis or do not meet a minimum royalty revenue criteria will be free to participate in the program utilizing their own equipment.

4. The user assumes responsiblity for all costs of operating and otherwise utilizing the STATSS microcomputer workstation.

5. The user agrees to safeguard and control all STATSS equipment according to normal and reasonable equipment security measures.

6. The user is responsible for maintenance and repair of STATSS remote site equipment, including direct interaction with vendors for warranty work.

7. The user is authorized to utilize the STATSS equipment for other official business related to minerals and royalty management.

B. Telecommunications

MMS will arrange for a telecommunications network for STATSS users to access the MMS mainframe computer. To the extent of funding available, telecommunications costs will be borne by MMS.

C. Software Design and Development

1. MMS agrees to design and develop the basic STATSS software as defined in the Functional Requirements Document, at no cost to STATSS users.

2. The user is authorized to develop its own software applications in support of royalty collections functions utilizing STATSS data and hardware.

D. Software Testing and Implementation

1. MMS will plan and conduct system testing. Users will be offered the opportunity to conduct their own microcomputer application system testing to insure the system meets the agreed design specifications.

2. MMS will prepare a user training plan and training materials and will conduct workshops and classes as mutually agreed with users. Users will also be offered the training materials to conduct their own in-house training.

3. MMS will prepare a system implementation plan and will oversee/conduct STATSS implementation.

E. Software Maintenance and Support

1. MMS agrees to provide software maintenance and support for all STATSS system software, STATSS mainframe applications, and the general-purpose software applications developed by MMS for use in the STATSS microcomputers.

2. The user agrees to bear the cost and responsibility for software maintenance and support of any microcomputer applications developed by the user.

IV. PROCEDURAL ISSUES

A. Approval/Concurrence

By signature to this MOU, the user agrees to the division of costs and responsibilities and concurs with the STATSS Phase I system content as contained in the Functional Requirements Document.

B. Safegarding Proprietary Confidential Information

By signature to this MOU, the user agrees to safeguard and restrict the further dissemination of royalty accounting information obtained via the STATSS program in accordance with Section 203 of the Federal Oil and Gas Royalty Management Act of 1982.

C. Designation of User Representatives

The user agrees to designate a single person, plus an alternate, as spokesperson and contact point for all matters dealing with STATSS.

D. Implementation of the Memorandum of Understanding

This Memorandum of Understanding becomes effective upon the signatures of the Deputy Associate Director for Royalty Management, Minerals Management Service and the designated user official. Amendments shall be executed as necessary to clarify or expand on the agreements contained in this Memorandum.

Designated User Official:

Burnett L Whiteplume
Signature

JAN 18, 1986
Date

CHAIRMAN - NORTHERN ARAPAHOE TRIBE
Name and Title

MMS Official:

Jimmy W. Mayberry

Jimmy W. Mayberry
Deputy Associate Director for
Royalty Management,
Minerals Management Service

4-4-86
Date

MEMORANDUM OF UNDERSTANDING BETWEEN
THE SHOSHONE TRIBE OF THE WIND RIVER INDIAN RESERVATION
AND THE MINERALS MANAGEMENT SERVICE
REGARDING THE
STATE AND TRIBAL SUPPORT SYSTEM

I. INTRODUCTION

The purpose of this Memorandum of Understanding (MOU) is to document agreements and understandings between the Mineral Management Service (MMS) and the Shoshone Tribe of the Wind River Indian Reservation regarding the State and Tribal Support System (STATSS). This MOU covers the scope and content of STATSS, division of responsibilities and costs, system functional requirements, and procedural issues.

II. SYSTEM CONCEPTUAL FRAMEWORK

STATSS is an information access system designed to furnish existing RMP accounting data to external users — states, tribes and Federal agencies. STATSS data will be provided via a telecommunications connection between the MMS mainframe computer in Lakewood and remote microcomputer workstations at user-specified locations. These workstations will be used to query the RMP database, to receive data files from the mainframe, and to perform data processing.

STATSS is being developed and implemented in two phases. Phase I includes the database and files from the Auditing and Financial System (AFS) as well as the hardware, basic software, and telecommunications necessary to make the system functional. Phase II will incorporate information from the Bonus and Rental Accounting Support System (BRASS) and the Production Accounting and Auditing System (PAAS).

STATSS is an information access system only and does not affect AFS, PAAS, or BRASS processes, reporting requirements, or schedules. STATSS Phase I characteristics and capabilities are explained in the Functional Requirements Document.

III. DIVISION OF RESPONSIBILITIES AND COSTS

A. Hardware

MMS agrees to determine the basic remote site equipment configuration to be used for STATSS as well as any options and alternatives for compatible configurations. The user assumes responsibility for the procurement, maintenance, and operation of on-site hardware.

B. Telecommunications

MMS will arrange for a telecommunications network for STATSS users to access the MMS mainframe computer. To the extent of funding available, telecommunications costs will be borne by MMS.

C. Software Design and Development

1. MMS agrees to design and develop the basic STATSS software as defined in the Functional Requirements Document, at no cost to STATSS users.

2. The user assumes responsibility for the purchase and maintenance of any commercial software package necessary to utilize the STATSS microcomputer workstation.

3. The user is authorized to develop its own software applications in support of royalty collections functions utilizing STATSS data and hardware.

D. Software Testing and Implementation

1. MMS will plan and conduct system testing. Users will be offered the opportunity to conduct their own microcomputer application system testing to insure the system meets the agreed design specifications.

2. MMS will prepare a user training plan and training materials and will conduct workshops and classes as mutually agreed with users. Users will also be offered the training materials to conduct their own in-house training.

3. MMS will prepare a system implementation plan and will oversee/conduct STATSS implementation.

E. Software Maintenance and Support

1. MMS agrees to provide software maintenance and support for all STATSS system software, STATSS mainframe applications, and the general-purpose software applications developed by MMS for use in the STATSS microcomputers.

2. The user agrees to bear the cost and responsibility for software maintenance and support of any microcomputer applications developed or purchased by the user.

IV. PROCEDURAL ISSUES

A. Approval/Concurrence

By signature to this MOU, the user agrees to the division of costs and responsibilities and concurs with the STATSS Phase I system content as contained in the Functional Requirements Document.

B. Designation of User Representatives

The user agrees to desginate a single person, plus an alternate, as spokesperson and contact point for all matters dealing with STATSS.

C. Implementation of the Memorandum of Understanding

This Memorandum of Understanding becomes effective upon the signatures of the Deputy Associate Director of Royalty Management, Minerals Management Service and the designated Shoshone Tribal official. Amendments shall be executed as necessary to clarify or expand on the agreements contained in this Memorandum.

Designated Shoshone Tribal Official:

(Signature)

12-18-85
(Date)

Chairman
Shoshone Business Council
Wind River Indian Reservation
Fort Washakie, Wyoming

MMS Official:

Jimmy W. Mayberry

Jimmy W. Mayberry
Deputy Associate Director for
Royalty Management,
Minerals Management Service

4-4-86
Date

MEMORANDUM OF UNDERSTANDING
WITH THE
MINERALS MANAGEMENT SERVICE
REGARDING THE
STATE AND TRIBAL SUPPORT SYSTEM

MINERALS MANAGEMENT SERVICES
ACCOUNTING CENTER
DEC 0 6 1985
RECEIVED
LAKEWOOD, COLORADO

I. INTRODUCTION

The purpose of this Memorandum of Understanding (MOU) is to document agreements and understandings between the Minerals Management Service (MMS) and the Port Peck Tribes (the "user") regarding the State and Tribal Support System (STATSS). This MOU covers the scope and content of STATSS, division of responsibilities and costs, system functional requirements, protection of proprietary information, and procedural issues.

II. SYSTEM CONCEPTUAL FRAMEWORK

STATSS is an information access system designed to furnish existing RMP accounting data to external users -- states, tribes, and Federal agencies. STATSS data will be provided via a telecommunications connection between the MMS mainframe computer in Lakewood and remote microcomputer workstations at user-specified locations. These workstations will be used to query the RMP database, to receive data files from the mainframe, and to perform data processing.

STATSS is being developed and implemented in two phases. Phase I includes the database and files from the Auditing and Financial System (AFS) as well as the hardware, basic software, and telecommunications necessary to make the system functional. Phase II will incorporate information from the Bonus and Rental Accounting Support System (BRASS) and the Production Accounting and Auditing System (PAAS).

STATSS is an information access system only and does not affect AFS, PAAS, or BRASS processes, reporting requirements, or schedules. STATSS Phase I characteristics and capabilities are explained in the Functional Requirements Document.

III. DIVISION OF RESPONSIBILITIES AND COSTS

STATSS is being designed and developed by the Royalty Management Program (RMP) for the benefit of states, Indian tribes, and allottees. As such, RMP will bear the majority of the costs and responsibilities for hardware procurement, software development and maintenance, and communications. Users will bear certain costs related to onsite equipment and special software. Following is a delineation of responsibilities and costs by category.

A. Hardware

1. MMS agrees to determine the basic remote site equipment configuration to be used for STATSS as well as any options and alternatives for compatible configurations.

2. MMS agrees to fund the basic STATSS remote site equipment configurations for the major STATSS users. This equipment will be provided on a loan basis, free of charge, for an indefinite time period. Users desiring to avail themseleves of this opportunity will attach a completed "Request for Equipment Loan" to this MOU.

3. Users who do not wish to utilize MMS equipment on a loan basis or do not meet a minimum royalty revenue criteria will be free to participate in the program utilizing their own equipment.

4. The user assumes responsiblity for all costs of operating and otherwise utilizing the STATSS microcomputer workstation.

5. The user agrees to safeguard and control all STATSS equipment according to normal and reasonable equipment security measures.

6. The user is responsible for maintenance and repair of STATSS remote site equipment, including direct interaction with vendors for warranty work.

7. The user is authorized to utilize the STATSS equipment for other official business related to minerals and royalty management.

B. Telecommunications

MMS will arrange for a telecommunications network for STATSS users to access the MMS mainframe computer. To the extent of funding available, telecommunications costs will be borne by MMS.

C. Software Design and Development

1. MMS agrees to design and develop the basic STATSS software as defined in the Functional Requirements Document, at no cost to STATSS users.

2. The user is authorized to develop its own software applications in support of royalty collections functions utilizing STATSS data and hardware.

D. Software Testing and Implementation

1. MMS will plan and conduct system testing. Users will be offered the opportunity to conduct their own microcomputer application system testing to insure the system meets the agreed design specifications.

2. MMS will prepare a user training plan and training materials and will conduct workshops and classes as mutually agreed with users. Users will also be offered the training materials to conduct their own in-house training.

3. MMS will prepare a system implementation plan and will oversee/conduct STATSS implementation.

E. Software Maintenance and Support

1. MMS agrees to provide software maintenance and support for all STATSS system software, STATSS mainframe applications, and the general-purpose software applications developed by MMS for use in the STATSS microcomputers.

2. The user agrees to bear the cost and responsibility for software maintenance and support of any microcomputer applications developed by the user.

IV. PROCEDURAL ISSUES

A. Approval/Concurrence

By signature to this MOU, the user agrees to the division of costs and responsibilities and concurs with the STATSS Phase I system content as contained in the Functional Requirements Document.

B. Safegarding Proprietary Confidential Information

By signature to this MOU, the user agrees to safeguard and restrict the further dissemination of royalty accounting information obtained via the STATSS program in accordance with Section 203 of the Federal Oil and Gas Royalty Management Act of 1982.

C. Designation of User Representatives

The user agrees to designate a single person, plus an alternate, as spokesperson and contact point for all matters dealing with STATSS.

D. Implementation of the Memorandum of Understanding

This Memorandum of Understanding becomes effective upon the signatures of the Deputy Associate Director for Royalty Management, Minerals Management Service and the designated user official. Amendments shall be executed as necessary to clarify or expand on the agreements contained in this Memorandum.

Designated User Official:

Kenneth E. Ryan
Signature

12/03/85
Date

Kenneth Ryan
Fort Peck Tribal Chairman
Name and Title

MMS Official:

Jimmy W. Mayberry

12/30/85
Date

Jimmy W. Mayberry
Deputy Associate Director for
Royalty Management,
Minerals Management Service

MEMORANDUM OF UNDERSTANDING
WITH THE
MINERALS MANAGEMENT SERVICE
REGARDING THE
STATE AND TRIBAL SUPPORT SYSTEM

I. INTRODUCTION

The purpose of this Memorandum of Understanding (MOU) is to document agreements and understandings between the Minerals Management Service (MMS) and The Blackfeet Tribe (the "user") regarding the State and Tribal Support System (STATSS). This MOU covers the scope and content of STATSS, division of responsibilities and costs, system functional requirements, protection of proprietary information, and procedural issues.

II. SYSTEM CONCEPTUAL FRAMEWORK

STATSS is an information access system designed to furnish existing RMP accounting data to external users -- states, tribes, and Federal agencies. STATSS data will be provided via a telecommunications connection between the MMS mainframe computer in Lakewood and remote microcomputer workstations at user-specified locations. These workstations will be used to query the RMP database, to receive data files from the mainframe, and to perform data processing.

STATSS is being developed and implemented in two phases. Phase I includes the database and files from the Auditing and Financial System (AFS) as well as the hardware, basic software, and telecommunications necessary to make the system functional. Phase II will incorporate information from the Bonus and Rental Accounting Support System (BRASS) and the Production Accounting and Auditing System (PAAS).

STATSS is an information access system only and does not affect AFS, PAAS, or BRASS processes, reporting requirements, or schedules. STATSS Phase I characteristics and capabilities are explained in the Functional Requirements Document.

III. DIVISION OF RESPONSIBILITIES AND COSTS

STATSS is being designed and developed by the Royalty Management Program (RMP) for the benefit of states, Indian tribes, and allottees. As such, RMP will bear the majority of the costs and responsibilities for hardware procurement, software development and maintenance, and communications. Users will bear certain costs related to onsite equipment and special software. Following is a delineation of responsibilities and costs by category.

A. Hardware

1. MMS agrees to determine the basic remote site equipment configuration to be used for STATSS as well as any options and alternatives for compatible configurations.

2. MMS agrees to fund the basic STATSS remote site equipment configurations for the major STATSS users. This equipment will be provided on a loan basis, free of charge, for an indefinite time period. Users desiring to avail themseleves of this opportunity will attach a completed "Request for Equipment Loan" to this MOU.

3. Users who do not wish to utilize MMS equipment on a loan basis or do not meet a minimum royalty revenue criteria will be free to participate in the program utilizing their own equipment.

4. The user assumes responsiblity for all costs of operating and otherwise utilizing the STATSS microcomputer workstation.

5. The user agrees to safeguard and control all STATSS equipment according to normal and reasonable equipment security measures.

6. The user is responsible for maintenance and repair of STATSS remote site equipment, including direct interaction with vendors for warranty work.

7. The user is authorized to utilize the STATSS equipment for other official business related to minerals and royalty management.

B. Telecommunications

MMS will arrange for a telecommunications network for STATSS users to access the MMS mainframe computer. To the extent of funding available, telecommunications costs will be borne by MMS.

C. Software Design and Development

1. MMS agrees to design and develop the basic STATSS software as defined in the Functional Requirements Document, at no cost to STATSS users.

2. The user is authorized to develop its own software applications in support of royalty collections functions utilizing STATSS data and hardware.

D. Software Testing and Implementation

1. MMS will plan and conduct system testing. Users will be offered the opportunity to conduct their own microcomputer application system testing to insure the system meets the agreed design specifications.

2. MMS will prepare a user training plan and training materials and will conduct workshops and classes as mutually agreed with users. Users will also be offered the training materials to conduct their own in-house training.

3. MMS will prepare a system implementation plan and will oversee/conduct STATSS implementation.

E. Software Maintenance and Support

1. MMS agrees to provide software maintenance and support for all STATSS system software, STATSS mainframe applications, and the general-purpose software applications developed by MMS for use in the STATSS microcomputers.

2. The user agrees to bear the cost and responsibility for software maintenance and support of any microcomputer applications developed by the user.

IV. PROCEDURAL ISSUES

A. Approval/Concurrence

By signature to this MOU, the user agrees to the division of costs and responsibilities and concurs with the STATSS Phase I system content as contained in the Functional Requirements Document.

B. Safegarding Proprietary Confidential Information

By signature to this MOU, the user agrees to safeguard and restrict the further dissemination of royalty accounting information obtained via the STATSS program in accordance with Section 203 of the Federal Oil and Gas Royalty Management Act of 1982.

C. Designation of User Representatives

The user agrees to designate a single person, plus an alternate, as spokesperson and contact point for all matters dealing with STATSS.

D. Implementation of the Memorandum of Understanding

This Memorandum of Understanding becomes effective upon the signatures of the Deputy Associate Director for Royalty Management, Minerals Management Service and the designated user official. Amendments shall be executed as necessary to clarify or expand on the agreements contained in this Memorandum.

Designated User Official:

Signature

12/10/85
Date

Elouise C. Cobell, Treasurer
Name and Title

MMS Official:

Jimmy W. Mayberry
Deputy Associate Director for
Royalty Management,
Minerals Management Service

12/30/85
Date

MEMORANDUM OF UNDERSTANDING
WITH THE
MINERALS MANAGEMENT SERVICE
REGARDING THE
STATE AND TRIBAL SUPPORT SYSTEM

I. INTRODUCTION

The purpose of this Memorandum of Understanding (MOU) is to document agreements and understandings between the Minerals Management Service (MMS) and Cheyenne-Arapaho Tribes (the "user") regarding the State and Tribal Support System (STATSS). This MOU covers the scope and content of STATSS, division of responsibilities and costs, system functional requirements, protection of proprietary information, and procedural issues.

II. SYSTEM CONCEPTUAL FRAMEWORK

STATSS is an information access system designed to furnish existing RMP accounting data to external users -- states, tribes, and Federal agencies. STATSS data will be provided via a telecommunications connection between the MMS mainframe computer in Lakewood and remote microcomputer workstations at user-specified locations. These workstations will be used to query the RMP database, to receive data files from the mainframe, and to perform data processing.

STATSS is being developed and implemented in two phases. Phase I includes the database and files from the Auditing and Financial System (AFS) as well as the hardware, basic software, and telecommunications necessary to make the system functional. Phase II will incorporate information from the Bonus and Rental Accounting Support System (BRASS) and the Production Accounting and Auditing System (PAAS).

STATSS is an information access system only and does not affect AFS, PAAS, or BRASS processes, reporting requirements, or schedules. STATSS Phase I characteristics and capabilities are explained in the Functional Requirements Document.

III. DIVISION OF RESPONSIBILITIES AND COSTS

STATSS is being designed and developed by the Royalty Management Program (RMP) for the benefit of states, Indian tribes, and allottees. As such, RMP will bear the majority of the costs and responsibilities for hardware procurement, software development and maintenance, and communications. Users will bear certain costs related to onsite equipment and special software. Following is a delineation of responsibilities and costs by category.

A. Hardware

1. MMS agrees to determine the basic remote site equipment configuration to be used for STATSS as well as any options and alternatives for compatible configurations.

2. MMS agrees to fund the basic STATSS remote site equipment configurations for the major STATSS users. This equipment will be provided on a loan basis, free of charge, for an indefinite time period. Users desiring to avail themseleves of this opportunity will attach a completed "Request for Equipment Loan" to this MOU.

3. Users who do not wish to utilize MMS equipment on a loan basis or do not meet a minimum royalty revenue criteria will be free to participate in the program utilizing their own equipment.

4. The user assumes responsiblity for all costs of operating and otherwise utilizing the STATSS microcomputer workstation.

5. The user agrees to safeguard and control all STATSS equipment according to normal and reasonable equipment security measures.

6. The user is responsible for maintenance and repair of STATSS remote site equipment, including direct interaction with vendors for warranty work.

7. The user is authorized to utilize tne STATSS equipment for other official business related to minerals and royalty management.

B. Telecommunications

MMS will arrange for a telecommunications network for STATSS users to access the MMS mainframe computer. To the extent of funding available, telecommunications costs will be borne by MMS.

C. Software Design and Development

1. MMS agrees to design and develop the basic STATSS software as defined in the Functional Requirements Document, at no cost to STATSS users.

2. The user is authorized to develop its own software applications in support of royalty collections functions utilizing STATSS data and hardware.

D. Software Testing and Implementation

1. MMS will plan and conduct system testing. Users will be offered the opportunity to conduct their own microcomputer application system testing to insure the system meets the agreed design specifications.
2. MMS will prepare a user training plan and training materials and will conduct workshops and classes as mutually agreed with users. Users will also be offered the training materials to conduct their own in-house training.
3. MMS will prepare a system implementation plan and will oversee/conduct STATSS implementation.

E. Software Maintenance and Support

1. MMS agrees to provide software maintenance and support for all STATSS system software, STATSS mainframe applications, and the general-purpose software applications developed by MMS for use in the STATSS microcomputers.
2. The user agrees to bear the cost and responsibility for software maintenance and support of any microcomputer applications developed by the user.

IV. PROCEDURAL ISSUES

A. Approval/Concurrence

By signature to this MOU, the user agrees to the division of costs and responsibilities and concurs with the STATSS Phase I system content as contained in the Functional Requirements Document.

B. Safeguarding Proprietary Confidential Information

By signature to this MOU, the user agrees to safeguard and restrict the further dissemination of royalty accounting information obtained via the STATSS program in accordance with Section 203 of the Federal Oil and Gas Royalty Management Act of 1982.

C. Designation of User Representatives

The user agrees to designate a single person, plus an alternate, as spokesperson and contact point for all matters dealing with STATSS.

D. Implementation of the Memorandum of Understanding

This Memorandum of Understanding becomes effective upon the signatures of the Deputy Associate Director for Royalty Management, Minerals Management Service and the designated user official. Amendments shall be executed as necessary to clarify or expand on the agreements contained in this Memorandum.

Designated User Official:

Fred B. Hoffman
Signature

Date

Fred B. Hoffman, Chairman
Cheyenne-Arapaho Tribes
Name and Title

Designated User Representative: Lehman Coyote
Alternate: Joseph Birdshead

MMS Official:

Jimmy W. Mayberry
Jimmy W. Mayberry
Deputy Associate Director for
Royalty Management,
Minerals Management Service

11/21/85
Date

MEMORANDUM OF UNDERSTANDING
WITH THE
MINERALS MANAGEMENT SERVICE
REGARDING THE
STATE AND TRIBAL SUPPORT SYSTEM

I. INTRODUCTION

The purpose of this Memorandum of Understanding (MOU) is to document agreements and understandings between the Minerals Management Service (MMS) and the Navajo Nation (the "user") regarding the State and Tribal Support System (STATSS). This MOU covers the scope and content of STATSS, division of responsibilities and costs, system functional requirements, protection of proprietary information, and procedural issues.

II. SYSTEM CONCEPTUAL FRAMEWORK

STATSS is an information access system designed to furnish existing RMP accounting data to external users -- states, tribes, and Federal agencies. STATSS data will be provided via a telecommunications connection between the MMS mainframe computer in Lakewood and remote microcomputer workstations at user-specified locations. These workstations will be used to query the RMP database, to receive data files from the mainframe, and to perform data processing.

STATSS is being developed and implemented in two phases. Phase I includes the database and files from the Auditing and Financial System (AFS) as well as the hardware, basic software, and telecommunications necessary to make the system functional. Phase II will incorporate information from the Bonus and Rental Accounting Support System (BRASS) and the Production Accounting and Auditing System (PAAS).

STATSS is an information access system only and does not affect AFS, PAAS, or BRASS processes, reporting requirements, or schedules. STATSS Phase I characteristics and capabilities are explained in the Functional Requirements Document.

III. DIVISION OF RESPONSIBILITIES AND COSTS

STATSS is being designed and developed by the Royalty Management Program (RMP) for the benefit of states, Indian tribes, and allottees. As such, RMP will bear the majority of the costs and responsibilities for hardware procurement, software development and maintenance, and communications. Users will bear certain costs related to onsite equipment and special software. Following is a delineation of responsibilities and costs by category.

A. Hardware

1. MMS agrees to determine the basic remote site equipment configuration to be used for STATSS as well as any options and alternatives for compatible configurations.

2. MMS agrees to fund the basic STATSS remote site equipment configurations for the major STATSS users. This equipment will be provided on a loan basis, free of charge, for an indefinite time period. Users desiring to avail themseleves of this opportunity will attach a completed "Request for Equipment Loan" to this MOU.

3. Users who do not wish to utilize MMS equipment on a loan basis or do not meet a minimum royalty revenue criteria will be free to participate in the program utilizing their own equipment.

4. The user assumes responsiblity for all costs of operating and otherwise utilizing the STATSS microcomputer workstation.

5. The user agrees to safeguard and control all STATSS equipment according to normal and reasonable equipment security measures.

6. The user is responsible for maintenance and repair of STATSS remote site equipment, including direct interaction with vendors for warranty work.

7. The user is authorized to utilize the STATSS equipment for other official business related to minerals and royalty management.

B. Telecommunications

MMS will arrange for a telecommunications network for STATSS users to access the MMS mainframe computer. To the extent of funding available, telecommunications costs will be borne by MMS.

C. Software Design and Development

1. MMS agrees to design and develop the basic STATSS software as defined in the Functional Requirements Document, at no cost to STATSS users.

2. The user is authorized to develop its own software applications in support of royalty collections functions utilizing STATSS data and hardware.

D. Software Testing and Implementation

1. MMS will plan and conduct system testing. Users will be offered the opportunity to conduct their own microcomputer application system testing to insure the system meets the agreed design specifications.
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IV. PROCEDURAL ISSUES

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The user agrees to designate a single person, plus an alternate, as spokesperson and contact point for all matters dealing with STATSS.

D. Implementation of the Memorandum of Understanding

This Memorandum of Understanding becomes effective upon the signatures of the Deputy Associate Director for Royalty Management, Minerals Management Service and the designated user official. Amendments shall be executed as necessary to clarify or expand on the agreements contained in this Memorandum.

Designated User Official:

Pete Zah

Signature

OCT 28 1985

Date

Peterson Zah, Chairman
Navajo Tribal Council
Name and Title

MMS Official:

Jimmy W. Mayberry

Jimmy W. Mayberry
Deputy Associate Director for
Royalty Management,
Minerals Management Service

11/21/85

Date

MEMORANDUM OF UNDERSTANDING
WITH THE
MINERALS MANAGEMENT SERVICE
REGARDING THE
STATE AND TRIBAL SUPPORT SYSTEM

I. INTRODUCTION

The purpose of this Memorandum of Understanding (MOU) is to document agreements and understandings between the Minerals Management Service (MMS) and *Ute Indian Tribe* (the "user") regarding the State and Tribal Support System (STATSS). This MOU covers the scope and content of STATSS, division of responsibilities and costs, system functional requirements, protection of proprietary information, and procedural issues.

II. SYSTEM CONCEPTUAL FRAMEWORK

STATSS is an information access system designed to furnish existing RMP accounting data to external users -- states, tribes, and Federal agencies. STATSS data will be provided via a telecommunications connection between the MMS mainframe computer in Lakewood and remote microcomputer workstations at user-specified locations. These workstations will be used to query the RMP database, to receive data files from the mainframe, and to perform data processing.

STATSS is being developed and implemented in two phases. Phase I includes the database and files from the Auditing and Financial System (AFS) as well as the hardware, basic software, and telecommunications necessary to make the system functional. Phase II will incorporate information from the Bonus and Rental Accounting Support System (BRASS) and the Production Accounting and Auditing System (PAAS).

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III. DIVISION OF RESPONSIBILITIES AND COSTS

STATSS is being designed and developed by the Royalty Management Program (RMP) for the benefit of states, Indian tribes, and allottees. As such, RMP will bear the majority of the costs and responsibilities for hardware procurement, software development and maintenance, and communications. Users will bear certain costs related to onsite equipment and special software. Following is a delineation of responsibilities and costs by category.

A. Hardware

1. MMS agrees to determine the basic remote site equipment configuration to be used for STATSS as well as any options and alternatives for compatible configurations.

2. MMS agrees to fund the basic STATSS remote site equipment configurations for the major STATSS users. This equipment will be provided on a loan basis, free of charge, for an indefinite time period. Users desiring to avail themseleves of this opportunity will attach a completed "Request for Equipment Loan" to this MOU.

3. Users who do not wish to utilize MMS equipment on a loan basis or do not meet a minimum royalty revenue criteria will be free to participate in the program utilizing their own equipment.

4. The user assumes responsiblity for all costs of operating and otherwise utilizing the STATSS microcomputer workstation.

5. The user agrees to safeguard and control all STATSS equipment according to normal and reasonable equipment security measures.

6. The user is responsible for maintenance and repair of STATSS remote site equipment, including direct interaction with vendors for warranty work.

7. The user is authorized to utilize the STATSS equipment for other official business related to minerals and royalty management.

B. Telecommunications

MMS will arrange for a telecommunications network for STATSS users to access the MMS mainframe computer. To the extent of funding available, telecommunications costs will be borne by MMS.

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Designated User Official:

Terrance M. Cuch　　12/09/85
Signature　　Date

Terrance M. Cuch, Royalty Management Technician
Name and Title

MMS Official:

Jimmy W. Mayberry　　12/30/85
Jimmy W. Mayberry　　Date
Deputy Associate Director for
Royalty Management,
Minerals Management Service

OCT 9 1985

MEMORANDUM OF UNDERSTANDING
WITH THE
MINERALS MANAGEMENT SERVICE
REGARDING THE
STATE AND TRIBAL SUPPORT SYSTEM

I. INTRODUCTION

The purpose of this Memorandum of Understanding (MOU) is to document agreements and understandings between the Minerals Management Service (MMS) and The Southern Ute Tribe (the "user") regarding the State and Tribal Support System (STATSS). This MOU covers the scope and content of STATSS, division of responsibilities and costs, system functional requirements, protection of proprietary information, and procedural issues.

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Designated User Official:

Chris A. Baker
Signature

10/15/85
Date

Chairman, Tribal Council
Southern Ute Indian Tribe
Name and Title

MMS Official:

Jimmy W. Mayberry
Jimmy W. Mayberry
Deputy Associate Director for
Royalty Management,
Minerals Management Service

11/21/85
Date

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WITH THE
MINERALS MANAGEMENT SERVICE
REGARDING THE
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Designated User Official: Joseph M. Keck, Planning Division Director

Alternate: Darwin Whiteman, Energy Assistant

Judy M. Knight
Signature

Nov. 4, 1985
Date

Judy M. Knight Vice-Chairman
Name and Title

MMS Official:

Jimmy W. Mayberry
Jimmy W. Mayberry
Deputy Associate Director for
Royalty Management,
Minerals Management Service

11/21/85
Date

Mr. YATES. "BLM will visit each lease site at least once a year, according to the proposed rules. The statute calls for 'routine inspection'.

"The Indian people do not have to drive great distances into oil fields once a year. They live there. Tribal employees *could* perform these inspections on a routine basis. In fact, tribal employees could even inspect federal leases on a routine basis. If the BLM officials would only accept the clear intent of Congress, we could help them not only discharge faithfully the trust responsibility to Indians; we could provide them with considerable assistance in the management of federal properties, as well."

Okay. That is beside the point.

"Finally, we believe that MMS will ultimately have to revise its system entirely with respect to production from Indian leases. MMS does not presently plan to integrate production accounting functions with revenue accounting functions for on-shore federal and Indian leases."

Is that correct?

Mr. BETTENBERG. What I testified to last year as well as already today is that we implemented the production accounting system only for offshore and solid mineral leases, and we held in abeyance any further implementation of that system until we completed a study.

That study is due this Fall, and at the same time we will make a decision on whether it is reasonable to go ahead with the system.

If not, then I would think we would have to seek a change in the law.

Mr. YATES. Okay. They say, you may think that is acceptable. "We do not think it is acceptable to Indian tribes or allottees. We believe that the cooperative audit agreements contemplated by the Act will eventually drive changes into the system. We suspect this is one reason that MMS has resisted so strenuously all efforts by tribes to enter into cooperative audit agreements."

Mr. BETTENBERG. That is incorrect. We have one cooperative agreement under section 202 with the Navajo Tribe.

Mr. YATES. They say you have one with the Jicarilla Apache.

Mr. BETTENBERG. We have less formal cooperative agreements with two tribes, as I recall, the Jicarillas and the Southern Utes, and we are willing to enter into those kinds of agreements with any tribe.

As a matter of fact, our problem is that we have had difficulty finding any tribes interested in doing it.

Mr. YATES. They go on to say this.

Let's have the conclusion, and I am going to put the whole letter into the record.

Mr. BETTENBERG. If I could just mention something, those three agreements—well, the one with the Navajos was entered into about February or March.

It would seem to me appropriate to consider the quality of the document that you are reading based on the fact we had a formal signed agreement with the Navajos who used to be a CERT tribe. I don't know if they still are.

Mr. YATES. No, they are not.

Mr. BETTENBERG. They used to be a CERT tribe.

We had that in place some time during last summer and the——

Mr. **Yates**. You apparently think cooperative agreements are a good thing.

Mr. **Bettenberg**. Yes. We had to push for them, but what I am telling you is presumably that information was available to CERT, and they——

Mr. **Yates**. What you are saying in good trial lawyer procedure is that the document, therefore, this letter isn't entitled to have much consideration.

Mr. **Bettenberg**. That is my impression from what you have read me so far, yes.

Mr. **Yates**. All right.

CONCLUSION OF LETTER FROM CERT

"Conclusion. We are compelled by circumstances to conclude that the Department's agencies charged with implementing FOGRMA have not begun with a policy decision, and then proceeded to make management decisions to implement the policy; and then allocated resources to carry out those management decisions. Rather, they have begun with the limited physical, fiscal, and human resources available to them at the time, and the only management decision they have made is to back into a policy position that justifies their efforts. Already, they have had to abandon many of the resources they started with, and are now in the midst of a lengthy and expensive process to convert their programs from the VAX machines to an IBM mainframe."

Mr. **Bettenberg**. We have had lots of testimony to that, Mr. Chairman.

Mr. **Yates**. I remember. Where is that computer witness? What was his name? Nice fellow, Mr. Boldt.

Mr. **Bettenberg**. He is with the Office of Surface Mining.

Mr. **Yates**. I got the impression he was a pretty competent witness.

You sent him to Siberia?

Mr. **Bettenberg**. He is in the process of fixing up their system for completion.

Mr. **Yates**. "In the meantime, however, they have resisted all suggestions to modify their programs or to enhance their software to meet the needs of the Secretary . . ."

Mr. **Bettenberg**. Those statements are patently false.

Mr. **Yates**. You take issue with them "or the Indian tribes and allottees. In short, the policy and management decisions,"—we will give you a copy of this and let you reply for the record, if you want to—"In short, the policy and management decisions have been driven by the hardware originally available rather than allowing those decisions to inform the choice of hardware which should be utilized. According to present plans, no enhancement of the software is contemplated until the present conversion is completed.

"Thus, there are no efforts underway for accounting for profit sharing agreements . . .".

Is that true?

Mr. **Bettenberg**. No.

Mr. Yates. ". . . or for those agreements that result in direct payments to the Indian mineral owners."

Mr. Bettenberg. What I told you was that we can't visualize being in a position to design a separate system for every conceivable kind of lease a tribe can come up with.

For that reason, we have to resort to using auditors rather than having a computer system.

Mr. Yates. All right.

Then they take issue with your system even before we start. "If the Bureau of Indian Affairs had devoted this much time and money to such fundamentally flawed enterprise, your committee would have removed program authority from the agency to the Office of the Secretary. If an Indian tribe had expended so many appropriated dollars in such a fundamentally flawed exercise in the face of constant advice to the contrary, such as we have provided to MMS, the Inspector General would be trying to put someone in jail."

Okay. Now, they come to their recommendations.

"1. The Secretary must announce unequivocally that standards set for the administration of Federal resources cannot be unthinkably accepted as adequate for the administration of Indian resources if he is to 'aggressively carry out his trust responsibility' as the statute requires.

"2. With respect to the administration of Indian mineral properties, the end user of these federally designed systems and programs are the Indian mineral owners. The Secretary must demand their needs be taken into account in the design of these systems."

You say you cannot design such a system.

Mr. Bettenberg. No.

Mr. Yates. Didn't you?

Mr. Bettenberg. No.

What I said is that they are taken into account. We deal with those Indian tribes who want to work with us on systems questions and designs, specifically the State and Tribal Support System is a good example of that.

We also have a number of Indian representatives on our advisory committee looking at things like the production accounting system, the data base clean-up effort, the product value guidelines, and so forth.

Mr. Yates. They say on that point, in number 3. "The way to take into account the needs of the end users-is to involve them in the development of the system, also as the statute requires."

Are the end-users being involved in the system?

Mr. Bettenberg. That is certainly what we did with the state and Tribal Support System.

Mr. Yates. You say you are doing that?

Mr. Bettenberg. Yes.

Mr. Yates. "The Secretary should require this", reservation's committee, so forth.

"4. The Secretary should announce that he will accept nothing less than the 'highest standards' in the exercise of his trust responsibility, as President Reagan announced in his Indian policy statement."

Mr. Bettenberg. That is reasonable.

Mr. **Yates**. "5. We recognize—"

Mr. **Bettenberg**. I wouldn't describe it as a concession.

Mr. **Yates**. Describe it as a truism, then.

"5. We recognize the difficulties involved and the complexities of the issues. We are willing to work with the Department if we are allowed to do so. It would be much less expensive in the long run; it would result in economies for the government; it would result in the transfer of technologies to the tribes; it would restore faith in the competence and accountability of the government; it would reduce our dependence on federal programs and services; it would provide some jobs for our people; it would allow more revenue generated on the reservations to be spent on the reservations. And this is what the Congress and the President have said they want.

"The Department of the Interior justifies its decision to treat federal and Indian production alike for valuation purposes on the theory that, 'value is best determined by the interaction of competing market forces'."

You will agree with that.

Mr. **Bettenberg**. Yes.

Mr. **Yates**. "We do not want to compete with our trustee, especially in the marketplace if he is going to give his property away, or only check on it once a year. We prefer to recall the words of Justice Cardozo, who reminded us that, 'A trustee is held to something stricter than the morals of the marketplace'."

"I am most grateful for the invitation to reduce these thoughts and observations to paper. As always, I have the deepest appreciation for your continued interest in the affairs of the Indian tribes of this country and the welfare of their members.

"If I can provide," so forth, signed by A. David Lester, the Executive Director.

This may go into the record, and I am directing staff to make a copy of this available to you so you may have the opportunity of replying to it formally, and you want that privilege.

Mr. **Bettenberg**. Yes.

[The information follows:]

Council of Energy Resource Tribes
1580 Logan Street Suite 400
Denver Colorado 80203-1941
(303) 832-6600

February 22, 1986

Executive Committee:
Judy M. Knight
Chairman
Ute Mountain Ute
[illegible]
Vice Chairman
Navajo
[illegible]
Secretary
Nez Perce
[illegible] R. Simpson
Treasurer
[illegible]

Acoma Pueblo
Cherokee
Jicarilla Apache
Oglala Sioux
Salish Kootenai

Board Members:
Blackfeet
Chemehuevi
Cheyenne Arapaho
Cheyenne River Sioux
Chippewa Cree
Coeur d'Alene
Crow
Fort Belknap
Fort Berthold
Fort Peck
Hopi
Hualapai
Jemez Pueblo
[illegible]
Laguna Pueblo
Muckleshoot
Northern Cheyenne
Pawnee
Ponca
Rosebud Sioux
Santa Ana Pueblo
Saginaw Chippewa
Seminole of Florida
Shoshone Bannock
Southern Ute
Spokane
Tule River
Umatilla
Ute
Walker River
Zia Pueblo

Executive Director:
A. David Lester

The Honorable Sidney R. Yates, Chairman
Subcommittee on Interior and Related Agencies
Committee on Appropriations
United States House of Representatives
B-308 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Yates:

At Kathy [illegible]'s request, I am pleased to recount in writing my recent conversation with her regarding the concerns of the tribes comprising the Council of Energy Resource Tribes (CERT) with respect to the Department of the Interior's efforts to implement the Federal Oil and Gas Royalty Management Act of 1982 (Act of January 12, 1983, 96 Stat. 2448).

BACKGROUND

As early as the mid-1970s the Jicarilla Apache Tribe was successfully bringing legal actions against the Department of the Interior and natural gas producers on the reservation challenging the methods employed to calculate royalties due the tribe for gas production on the reservation. More than $1 million was collected in settlement of those cases, and the Department was ordered by the courts to conform its royalty accounting practices to the law and regulations. The Department grudgingly agreed to do so for Jicarilla alone, citing personnel and budgetary restraints as reasons for declining to investigate the possibility of similar irregularities on other reservations.

When, a few years later, widespread publicity regarding massive thefts of oil from reservations sparked investigations by state law enforcement agencies, the U.S. Department of Justice and committees of Congress, the Department of the Interior finally seized the initiative. The Secretary on July 8, 1981 created the Commission on Fiscal Accountability of the Nation's Energy Resources to examine the allegations of massive irregularities in royalty accounting for production from federal and Indian lands; to investigate the allegations of theft of oil from these lands; and to make recommendations for improving the fiscal accountability of the production of these resources. Report of the Commission, Preface.

For years, Indian tribes and allottees throughout Indian country had challenged the figures for reported production; had complained about the accounting systems utilized to calculate their royalty returns; and had suggested that theft of oil from their fields was common. Lawsuits had been successful and the thieves who had been apprehended not only confessed but confirmed that their practices were commonplace. Nevertheless, we awaited the report of the Commission, commonly called the Linowes Commission after David F. Linowes, its chairman and a former Chairman of the Trial Board of the Institute of Certified Public Accountants.

On January 21, 1982, the Commission issued its report. The report concluded that the royalty management system for federal and Indian minerals production "has been a failure for more than 20 years." The oil and gas industry is not paying all the royalties that should be paid, the Commission concluded, and the disarray of the government's recordkeeping precluded a determination of the amount of underpayment. Such audits as had been conducted, however, "suggest that hundreds of millions of dollars due the U.S. Treasury, the States, and Indian tribes are going uncollected every year."

In addition, the Commission reported, "oil thefts are occurring on Federal and Indian leases." Again, the magnitude of the problem could not be determined, but the Commission noted that security precautions at Federal and Indian lease sites amounted to "an open invitation to theft." Id., at xi.

Among the recommendations of the Commission were the creation of a new Office of Royalty Management, and legislation in the form of an Omnibus Royalty Management Improvement Act. Id., at 261, 265.

The results of these recommendations were the creation of the Minerals Management Service and the passage of the Federal Oil and Gas Royalty Management Act of 1982.

FEDERAL OIL AND GAS ROYALTY MANAGEMENT ACT

The member tribes of CERT had cooperated fully with the Linowes Commission in the conduct of its investigation. Following the Commission's report, the member tribes worked closely with the Committees and staff of the Congress in the development of the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA). Generally speaking, our member tribes are satisfied with both the letter and the spirit of the law.

Generally speaking, however, our member tribes are disgusted with what appear to us to be blatant attempts to circumvent the clear requirements of the law by those agencies of Interior charged with implementing it. There are three levels of decisionmaking involved in the implementation of a law such as the FOGRMA. First, the agency must determine what the policy of the Congress is in the enactment of such a statute. Then, the implementing agency must make appropriate management decisions designed to carry out that policy. And finally, the machinery must be tooled to give effect to those management decisions. The Department of the Interior has failed at all three levels to implement this statute in the manner contemplated by the Congress insofar as accounting for production of oil and gas from Indian lands is concerned.

There is no doubt in the minds of the CERT tribes that the Department of the Interior has committed itself to a set of machines and programs designed to provide an administratively convenient regulatory framework and has backed into a policy position that is contrived after the fact to justify the management decisions made in committing the agencies' resources to the tools presently at hand.

POLICY FAILURES

At the policy level, rather than accepting the plain language of the statute as authority of the findings and purposes of Congress, the Department's agencies have chosen to blur the carefully crafted distinctions between federal and Indian lands, and have elected instead to treat them as though they are the same. In so doing, the Department has disregarded its own precedents and completely ignored the explicit distinctions drawn by the statute itself.

The Congress has even gone so far as to define the two in order to avoid the confusion:

> "Federal land" means all land and interests in land owned by the United States which are subject to the mineral leasing laws, including mineral resources or mineral estates reserved to the United States in the conveyance of a surface or nonmineral estate;
>
> ***
>
> "Indian lands" means any lands or interest in lands of an Indian tribe or an Indian allottee held in trust by the United States or which is subject to Federal restriction against alienation, including mineral resources and mineral estates reserved to an Indian tribe or an Indian allottee in the conveyance of a surface or nonmineral estate, except that such term does not include any lands subject to the provisions of section 3 of the Act of June 28, 1906 (34 Stat. 539);" 30 U.S.C. 1702(1), (3).

By refusing to acknowledge the distinction between federal lands and Indian lands, the Department's agencies have absolved themselves from the need to draw the distinction between the government's prerogatives as a landowner on the one hand, and its duties as a trustee on the other. Here again, the Congress could not have been more explicit in expressing its intention:

> "Congress finds that -
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> ***
>
> the Secretary should aggressively carry out his trust responsibility in the administration of Indian oil and gas." 30 U.S.C. 1701(a)(4).

It would be perfectly acceptable to the member tribes of CERT if the government were to devise a royalty management scheme that did, in fact, represent an agressive exercise of the government's trust responsibility and then were to elect to apply that system to its own properties as well. That has quite clearly not been done, however. The proposed rules that both MMS and BLM have published make it clear that in their view, it is "appropriate to use the same criteria" for Indian leases and for federal leases, "for several reasons." The reasons cited include limiting confusion for lessees; providing consistency in operations on federal as well as Indian lands for lessees; reorganization and clarification of existing regulations; bringing the regulations into conformity with the present organizational structure of the Department; establishing a format that will be applicable to all leasable minerals; and, finally, "Establishing a comprehensive and reasonable royalty valuation policy satisfies the Secretary's responsibility as trustee for Indians in the administration of their leases."

In short, for reasons of administrative convenience, and to ease what the Department perceives as confusion on the part of the oilmen who do business with us every day, the Department has proposed to adopt rules for the valuation of oil and gas from federal leases; for the valuation of coal produced from federal leases; for providing site security on federal leases; for determining processing allowances for gas producers on federal leases; for determining transportation allowances for all minerals produced from federal leases; and in each and every instance the Department has concluded that, if the rules are reasonable, what is good enough for the government as landowner must satisfy its responsibilities as trustee of Indian resources as well.

At no point in the more than 100 pages of proposed regulations of the MMS and the BLM is the government's fiduciary duty to Indian tribes or allottees cited as the reason for any proposed rule. The CERT tribes have urged for years that the government as landowner can do what it pleases with its resources. But it cannot be so cavalier with respect to those resources it holds in trust for Indian tribes and individuals.

Once again, the plain language of the statute could not be more clear:

> "It is the purpose of this chapter -
>
> ***
>
> to fulfill the trust responsibility of the United States for the administration of Indian oil and gas resources; and to effectively utilize the capabilities of the States and Indian tribes in developing and maintaining an efficient and effective royalty management system." 30 U.S.C 1702(b)(4), (5).

MANAGEMENT DECISIONS

Having decided as a matter of policy that there is no difference between federal and Indian lands, the management decisions to implement this policy decision, of course, only magnify the errors. The division of responsibility for Indian mineral development among three separate agencies is simply not working. BIA, MMS, and BLM all have significant responsibilities in this matter. We are not saying that this division of responsibility could not work; we are saying that it is not working.

Nor are we suggesting that the problems confronting the resource or royalty manager are simple. We suggest it is the MMS which has underestimated the magnitude of the task before them. We are confident, however, that no system devised will solve their problems until they realize what the true nature of those problems is. We suspect that nowhere in the world but the U.S. Department of the Interior would so much time, effort and money be spent on a system without once asking the end-user of the system what functions it should serve.

The tribes need this information to plan their budgets and investments; to schedule their capital expenditures; to administer their tax codes; to plan the management of the development of their reservation resources; and to ensure that they and their succeeding generations are not deprived of the value of their non-renewable resources. The Linowes Commission stated it eloquently when it reported, "... that democratic institutions rest on a foundation of faith in the competence and accountability of government." Report, p. xiii.

MANAGEMENT FAILURES

There can be no faith in a system that is designed for the convenience of the system's operators, and with no regard for the needs of the users of that system. MMS has approached its task as an exercise in regulatory systems design. Indian mineral development agreements that do not fit the system are thrown out. The statute plainly defines as a lease, for purposes of FOGRMA, any "contract, profit-share agreement, joint venture, or other agreement issued or approved by the United States under a mineral leasing law that authorizes exploration for, extraction of, or removal of oil or gas" (30 U.S.C. 1702(5)). MMS has advised producers not to bother even submitting production data from operations under any agreement that is not a standard lease because it does not fit the system designed for convenience in the administration of federal leases. This is not only an abrogation; this is an outright repudiation of the trust responsibility.

MMS has refused tribes access to the production data which it does collect, citing the proprietary interests of lessees. MMS has, thus, apparently lost sight of the fact that the real proprietors are the Indian tribes and allottees whose resources are at stake. Those tribes with taxation systems based on production are, thus, unable to verify the basis for their tax assessments. The MMS system might well have been designed to accomplish these objectives and to permit tribal access, but so far as we know this was not done.

This reflects one of the other principal failures in the implementation of FOGRMA. The statute plainly recites the Congressional purpose of utilizing the capabilities of tribes in the development of the system. Both MMS and BLM have refused to permit the tribes even to participate. BLM will visit each lease site at least one a year, according to the proposed rules. The statute calls for "routine inspection" (30 U.S.C. 1701(a)(3)).

The Indian people do not have to drive great distances into oil fields once a year. They live there. Tribal employees could perform these inspections on a routine basis. In fact, tribal employees could even inspect federal leases on a routine basis. If the BLM officials would only accept the clear intent of Congress, we could help them not only to discharge faithfully the trust responsibility to Indians; we could provide them with considerable assistance in the management of federal properties as well.

Finally, we believe that MMS will ultimately have to revise its system entirely with respect to production from Indian leases. MMS does not presently plan to integrate production accounting functions with revenue accounting functions for on-shore federal and Indian leases. That may be perfectly acceptable to the government for its own property. We do not believe that will be acceptable to Indian tribes or allottees. We believe that the cooperative audit agreements contemplated by the Act will eventually drive changes into the system. We suspect this is one reason that MMS has resisted so strenuously all efforts by tribes to enter into cooperative audit agreements. To date, only one, by the Jicarilla Apache Tribe, has been executed.

The insistence of MMS on continuing to base its accounting procedures at the lease level, rather than at the well level or the division order level, will soon be found unacceptable. Many leases are part of producing units but have no wells on them. Many leases have more than one well on them. No one but the Department of the Interior attempts to account for production at the lease level. The rest of the world accounts for production at the level where production occurs, at the well.

CONCLUSION

We are compelled by the circumstances to conclude that the Department's agencies charged with implementing FOGRMA have not begun with a policy decision, and then proceeded to make management decisions to implement that policy; and then allocated resources to carry out those management decisions. Rather, they have begun with the limited physical, fiscal, and human resources available to them at the time, and the only management decision they have made is to back into a policy position that justifies their efforts. Already, they have had to abandon many of the resources they started with, and are now in the midst of a lengthy and expensive process to convert their programs from the VAX machines to an IBM mainframe. In the meantime, however, they have resisted all suggestions to modify their programs or to enhance their software to meet the needs of the Secretary (if he is adequately to discharge his trust responsibility) or the Indian tribes and allottees (if they are to have access to the data in the system regarding their resources). In short, the policy and management decisions have been driven by the hardware originally available rather than allowing those decisions to inform the choice of hardware which should be utilized. According to present plans, no enhancement of the software is contemplated until the present conversion is completed.

Thus, there are no efforts underway for accounting for profit sharing agreements or for those agreements that result in direct payments to the Indian mineral owners. A system founded on such basically mistaken assumptions and premises will only compound the original errors.

If the Bureau of Indian Affairs had devoted this much time and money to such fundamentally flawed enterprise, your committee would have removed program authority from the agency to the Office of the Secretary. If an Indian tribe had expended so many appropriated dollars in such a fundamentally flawed exercise in the face of constant advice to the contrary, such as we have provided to MMS, the Inspector General would be trying to put someone in jail.

RECOMMENDATIONS

1. The Secretary must announce unequivocally that standards set for the administration of federal resources cannot be unthinkingly accepted as adequate for the administration of Indian resources if he is to "aggressively carry out his trust responsibility" as the statute requires.

2. With respect to the administration of Indian mineral properties, the end-user of these federally designed systems and programs are the Indian mineral owners. The Secretary must demand that their needs be taken into account in the design of these systems.

3. The way to take into account the needs of the end-users is to involve them in the development of the system, also as the statute requires. The Secretary should require this. Studies have demonstrated that reservation economies benefit when the tribes themselves are involved in the management of programs and services directed at them.

4. The Secretary should announce that he will accept nothing less than the "highest standards" in the exercise of his trust responsibility, as President Reagan announced in his Indian policy statement.

5. We recognize the difficulties involved and the complexities of the issues. We are willing to work with the Department if we are allowed to do so. It would be much less expensive in the long run; it would result in economies for the government; it would result in the transfer of technologies to the tribes; it would restore faith in the competence and accountability of government; it would reduce our dependence on federal programs and services; it would provide some jobs for our people; it would allow more revenue generated on the reservations to be spent on the reservations. And this is what the Congress and the President have said they want.

The Department of the Interior justifies its decision to treat federal and Indian production alike for valuation purposes on the theory that "value is best determined by the interaction of competing market forces." We do not want to compete with our trustee, especially in the marketplace if he is going to give his property away, or only check on it once a year. We prefer to recall the words of Justice Cardozo, who reminded us that, "A trustee is held to something stricter than the morals of the marketplace."

I am most grateful for the invitation to reduce these thoughts and observations to paper. As always, I have the deepest appreciation for your continued interest in the affairs of the Indian tribes of this country, and the welfare of their members.

If I can provide any other information, or be of service in any way, it would be my honor to do so.

Sincerely,

David

A. David Lester
Executive Director

ADL:sh

Mr. Yates. Now, let's turn to the regional directors, the four gentlemen who are here.

Mr. Powers for Alaska; we will start with him.

Mr. Powers, tell us about the Alaska leasing program. Do you contemplate doing leasing in Bristol Bay or in the Chukchi? What does the program envision for fiscal year 1987?

Mr. Powers. Well, we plan on opening leases that we have already received for the Bristol Bay area as soon as we can clear the litigation away.

Mr. Yates. Is there litigation? Who is litigating?

Mr. Powers. The State of Alaska and some other folks, as well.

Mr. Yates. Who are the other folks?

Mr. Powers. The Bering Sea Fisherman's Association, NRDC. There are probably half a dozen litigants.

Mr. Yates. They are unhappy with your leasing?

Mr. Powers. They seem to be displeased with it, yes.

Mr. Yates. What is the basis for their displeasure?

Mr. Powers. They have several counts.

They believe that the EIS is not adequate. They believe we did not have an appropriate amount of information for making the leasing decisions. They claim that we have not met the administrative requirements of Section 810 of the ANILCA, the Alaska National Interest Lands Conservation Act.

I don't know if there are any other principal——

Mr. Yates. Has the case come to issue? Has it been around?

Mr. Powers. A temporary injunction was issued earlier this year. That temporary injunction has been appealed at the 9th Circuit in San Francisco.

The 9th Circuit has held hearings on the appeal but has not issued a rule, and the district court in Alaska has not yet heard hearings on the merits of the case.

Mr. Yates. All right.

That is an overall description of Bristol Bay.

Mr. Powers. That is the status of the Bristol Bay area.

Mr. Yates. That is in litigation, and you won't be doing anything until the court decides the case, right?

Mr. Powers. Other than assisting the lawyers, but we will not be—we have received bids. The bids are away in a vault, and we will leave them there until we are told we can open them.

Mr. Yates. What about other areas of Alaska?

Mr. Powers. We have a sale scheduled for the Beaufort Sea in July of 1987. We have one scheduled for the early part of fiscal year 1988 in the Chukchi Sea. We are working on both those sales at the present time.

We are also working on a second sale in the Navarin area that is scheduled in March of 1988.

Mr. Yates. What else do you want to tell me about the operations of your region? Are your activities confined only to leasing?

Mr. Powers. No. We have regulatory activities. There is drilling that has occurred on leases and there is drilling occurring today on leases.

We do the regulatory work there, inspections.

Mr. Yates. Do you have the responsibility of making collections for the Indian people in Alaska?

Mr. POWERS. No, sir.

Mr. YATES. Who does that?

Mr. POWERS. I really don't know.

Mr. BETTENBERG. If it is an Indian lease in the classical sense of the word, such as a tribal lease or if there are actual allotted lands, then we do.

Mr. YATES. Do you have such things in Alaska?

Mr. POWERS. I think there probably are a few.

In addition to that——

Mr. YATES. When you say, "We do"——

Mr. BETTENBERG. Mr. Hill.

Mr. YATES. Mr. Hill does that? How do you do it in Alaska, Mr. Hill? How do you keep track of the payments to the Indian people in Alaska?

Mr. HILL. I think they are part of the same system that applies, irrespective of areas.

Mr. YATES. I wondered as to the physical way in which you do it, because your regional director says he has nothing to do with it.

Who does it for you? How is it done?

Mr. BETTENBERG. If I could backtrack one second, the regional director is responsible only for offshore leasing.

Mr. YATES. I see. These are onshore leases we are talking about.

Mr. BETTENBERG. We would be talking about onshore leases. There may be a few classical Indian leases. In addition to that, we have responsibility for some leases that used to be Federal that have been taken over by the Cook Inlet Regional Corporation under some of the provisions of either the Native Claim Settlement Act or ANILCA, the law Mr. Powers just mentioned.

We do the accounting for those. The companies, of course, that make the payments are headquartered in the lower 48 states. Some of those are handled by Marathon, for instance, and Union Oil.

Those monies are collected through the standard royalty management systems. We devoted a lot of audit resources to those two companies and as a result, we have issued some fines against one of those companies and have been in litigation with both of the companies.

We have resolved the larger share of those issues although we still have some pending.

The resolution with Cook Inlet, the State of Alaska, us, Marathon, Union, and the pipeline company that services Anchorage, resulted in some $45 million in payments, which probably came in in January.

The lion's share of it went to Cook Inlet Regional Corporation. That was a valuation issue.

One of the cases involved both arm's length and non-arm's length contracts.

In one case we thought the value of the gas should be substantially greater than what they were paying on or even getting, and so we ended up with an agreement they would pay royalties on gas of roughly about 90 cents per thousand cubic feet, compared to the amount they were getting of about 61 or 62 cents.

Mr. YATES. Do you have to worry about oil spills up your way?

Mr. POWERS. Well, we haven't had very much in the way of discoveries yet. There has been a little oil spill that is refined products off of platforms as in fuel oil, but, yes, we do worry about it.

We have standards and requirements that are in place during all drilling and inspections that we make on a regular basis during exploratory drilling operations to make sure that sound drilling procedures and equipment is used and in place and people are properly trained.

Mr. YATES. You have the capability of determining what to do about the oil spills if they do occur?

Mr. POWERS. Yes, sir.

Mr. YATES. Let's come back at 1:30.

AFTERNOON SESSION

Mr. YATES. Let's talk about the Atlantic now. Mr. Weetman, do you have any problems in your leasing program?

Mr. WEETMAN. If we could get some more industry interest, Mr. Chairman.

Mr. YATES. You mean for Georges Bank?

Mr. WEETMAN. There is very little going on in the Atlantic at this time.

Mr. YATES. Can you tell us why?

Mr. WEETMAN. I think it is a combination of things.

Mr. YATES. You mean oil prices?

Mr. WEETMAN. That would be very important. Being a frontier area such as the Atlantic, the industry has to be willing to spend large sums of money in the exploration program in that area.

Mr. YATES. Let me ask you a question, Mr. Bettenberg. The Congress, in its wisdom, provided in Section 107 of the Continuing Resolution, Public Law 99-190, "No funds provided in this title may be expended by the Department of the Interior for the preparation for, or conduct of pre-leasing and leasing activities (including but not limited to: calls for information, tract selection, notices of sale, receipt of bids and awards of leases) of lands within:" the Georges Bank.

Your chart calls for inclusion of Georges Bank in FY 1987 activities.

Mr. BETTENBERG. It says we are calling for that, yes.

Mr. YATES. How do you reconcile that with the congressional mandate.

Mr. BETTENBERG. If we called during this fiscal year, we would not.

Mr. YATES. You anticipate calling next fiscal year.

Mr. BETTENBERG. That is accurate, but not the whole story.

Mr. YATES. It shows you calling this fiscal year.

Mr. BETTENBERG. I think it shows us calling for it next fiscal year, but it has what we call a pre-lease step that could occur this fiscal year.

Mr. YATES. What could happen this fiscal year?

Mr. BETTENBERG. We have built into the program for what we refer to as frontier area sales what we call a pre-call step where we would ask industry what they are interested in in this area. It has been brought to our attention by staff that that could be considered to be a pre-lease step and, therefore, a call for interest probably couldn't be done this fiscal year because of the Section 107 language.

Mr. **Yates**. That is right.

Mr. **Bettenberg**. So far as the area in Georges Bank. We could call for expressions of interest elsewhere in the North Atlantic.

Mr. **Yates**. Here is the language.

Mr. **Bettenberg**. I don't need the language. The language said we can't do pre-lease steps in the area that has been drawn as a moratorium. So we couldn't do a pre-lease step in that area. But there are other areas in the North Atlantic that are not part of that.

Mr. **Yates**. Outside of the moratoria?

Mr. **Bettenberg**. Yes.

Mr. **Yates**. You have a chart of the North Atlantic with you and all the visuals?

Mr. **Bettenberg**. I don't have one that has the moratorium, but I can show you roughly where it is on a five-year program map.

Mr. **Yates**. Okay.

Mr. **Bettenberg**. The North Atlantic area is the area marked North Atlantic on the map. The area in moratoria is basically about an area within 50 miles, as I recall, off Cape Cod on the coast and then it goes on out and picks up Georges Bank, the Great South Channel, and a few other areas in this general part. The moratoria zone actually extends over and touches this line. As a matter of fact, part of the moratoria zone, as I recall, extends into what is now declared to be Canadian waters.

So it probably has little effect. We could do that pre-sale step where we asked for interest in the rest of the planning area, but we couldn't in the portion in the moratoria zone.

However, if the moratorium were continued next year, then we would not be able to proceed with doing things like studying the environmental impact through an environmental impact statement because that would be considered a pre-lease step, too.

Mr. **Yates**. Show me on that map where industry interest is other than Georges Bank.

Mr. **Bettenberg**. Well, there is little if any in the yellow area here in Maine. We have asked for comments deleting that entirely from the program. There are areas of industry interest first in the moratoria zone, specifically in parts of Georges Bank, parts of the Great South Channel, and the areas to the west of the Great South Channel and just north of the moratoria zone, and then the area just to the east of the moratoria zone in here would have interest and then in probably an arc to the south of the moratoria zone in roughly maybe a hundred meters to 400 meters water depth and then there is perhaps some longer term interest in some deeper areas in an arc further south of that.

Mr. **Yates**. What about the Mid-Atlantic?

Mr. **Bettenberg**. In the Mid-Atlantic, most of the interest has concentrated in a band through the center of the area. There is some interest closer to shore and there is, in fact, some drilling taking place onshore.

Mr. **Yates**. Near the Baltimore Canyon?

Mr. BETTENBERG. In that area they have actually discovered natural gas, but not quite in sufficient quantities to be commercial.

Mr. YATES. How about the South Atlantic?

Mr. BETTENBERG. South Atlantic, I would probably have to ask Bruce Weetman to show that to you.

Mr. YATES. Is the area in dark blue the moratoria area?

Mr. BETTENBERG. No. This map does not show moratoria areas. The dark blue on this map denotes the areas we have proposed in the five-year program to take out.

Mr. YATES. To take out. Take up or take out?

Mr. BETTENBERG. To not include in the five-year program. The area in yellow, such as you mentioned earlier, the NASA zone, is an area in which we have asked for comments. We know there is some industry interest in portions of that and we know that NASA has some concerns, so we have asked for comment at this point in the process.

If I were to guess at this point I would guess probably that would come out in the final five-year program.

Mr. YATES. What about the grasslands in the Gulf?

Mr. BETTENBERG. That is the area in dark blue here. We have taken that out of the five-year program. The sea grass beds, as well as the Florida middle grounds. In a wider band, this is the 30 mile band along the coast. We have asked for comments on that.

Mr. YATES. What about the question of the state government of Florida? Have they asked that you defer leasing in the Gulf there?

Mr. BETTENBERG. They have asked that we take out this entire 30 mile swatch. We have not agreed to that at this point. We have asked for comments.

They asked us to take out the sea grass beds.

Mr. YATES. When you say the entire 30 miles, which 30 miles for the record?

Mr. BETTENBERG. For the record, this is 30 miles from——

Mr. YATES. Looks like you are starting out at the Everglades National Park on the bottom.

Mr. BETTENBERG. It is at about 25 degrees and it extends on up to the area around Apalachicola, just a little bit further to the west.

Mr. YATES. Now, have you——

Mr. BETTENBERG. An area also called the Miami map area, which is probably offshore, the Everglades on the western side of Florida, they have asked us not to do any leasing in the Straights of Florida area which extends from points west of Key West up to nearly the Cape Kennedy area.

We have taken out the larger share of that. We have asked for comments on the southern portion because there has been oil and gas drilling both in the Florida Keys in the past and there is production on the north side of Cuba.

Mr. YATES. Any problems that have been raised by the military?

Mr. BETTENBERG. There are lots of problems raised by the military. We think we are dealing with them effectively.

Mr. YATES. Do you have their agreement?

Mr. BETTENBERG. Yes.

Mr. YATES. To go ahead and lease?

Mr. BETTENBERG. Yes. We have one area which is south of Pensacola which is an aircraft carrier training area that crosses the boundary between the eastern and the central planning areas depicted on the map. We have got an agreement with the Department of Defense that we can go ahead and lease the portion in the central area and not lease the area in the eastern Gulf, for instance.

That is an area—I can't describe it on this map any better than just saying basically south of Pensacola. In addition, the Air Force out of Panama City and I believe one other base runs a lot of missions where there is live firing over portions of the Gulf.

There we operate under what we call a window concept. They can target their weapons in different directions and track them, but they have to have an area where they can do that firing. There are other areas where we can have leasing activity.

In the past we have had an area fairly near to shore, maybe 30, 40, 50 miles offshore, open for drilling. That window is currently closed by agreement with the Department of Defense and areas further south, like in DeSota Canyon which is probably a little above the "E" on the map, are currently open.

We will have drilling going on this summer, but basically we are operating the Gulf in sort of a patchwork system where you open up a certain area for drilling at one time and then you close that and open a different area.

We have also had drilling done off Bitsey County in this area. There is no drilling going on there at this point, also. We have agreements with the military also in handling another aircraft carrier training operation further to the south where they have operations coming out of Key West.

Mr. **Yates**. Now, tell us about—well, that is the Gulf. I was supposed to call your witness on the Gulf. Have we finished with the Atlantic?

Mr. **Weetman**. I might add, Mr. Chairman, we have recently issued two geological permits and two geophysical permits to companies who are interested in doing some of the preliminary exploration work for non-energy minerals off the State of Florida—off Georgia—excuse me.

Mr. **Yates**. Off Georgia?

Mr. **Weetman**. Yes, sir.

Mr. **Bettenberg**. We also——

Mr. **Yates**. Any correspondence or statements by Governors or local governments against your drilling?

Mr. **Weetman**. Not drilling. It is an exploration permit.

Mr. **Yates**. Or any of your work.

Mr. **Weetman**. We contacted representatives from each of the states. I personally called the state geologist of Georgia, sent him copies of the permits and haven't heard anything from him personally that was adverse to that program.

Mr. **Bettenberg**. In a broader context, I think you are asking the question in a broader context. We certainly have disagreements with the State of Massachusetts, for instance, over where we should lease. The State of Massachusetts would have us not lease in areas much broader than what is in moratorium, for instance.

At this point I don't have any good ideas on how we can resolve those differences.

Mr. **Yates**. Do you have any good ideas on how you can answer Congressman Studds' letter of January 3rd?

Mr. **Bettenberg**. Yes. I have met with him.

Mr. **Yates**. He says you haven't answered his letter.

Mr. **Bettenberg**. Well, I went up and talked to him at some length.

Mr. **Yates**. Are you in agreement?

Mr. **Bettenberg**. I think we owe him some further response. But no. Mr. Studds' bottom line was that if we were to take the moratoria zone out of the five-year program, then he would drop his interest in a moratorium.

Mr. **Yates**. You mean all moratorium?

Mr. **Bettenberg**. The entire moratorium. So in effect he was telling us, I think, that what is in moratorium right now was non-negotiable. On that basis, I indicated that I didn't see much difference between annual moratoria and taking it out of the five-year program. I didn't see any basis for agreement.

My thinking in regard to that is that perhaps we need to set up a process like we are using in California. There are clearly strong regional interests in what happens in the North Atlantic but there are also national interests and the composition of the group that we have working on California right now would seem to me to be perhaps a more appropriate forum to see if anything is possible there.

That still would not resolve the problem with the state, however, since the state's anti-leasing position goes far beyond what is in moratoria.

In the last North Atlantic sale, you recall, they indicated to us that they were willing to let us lease only in areas that were deeper than where anybody, anyplace in the world has ever produced before.

We frankly didn't think that that showed the kind of good faith that we were showing in terms of the compromises we offered.

Mr. **Yates**. All right. Anything else we should say about the Gulf?

This is Mr. Pearcy. Anything else, Mr. Pearcy, you want to tell us?

Mr. **Pearcy**. Not that I can think of.

AGREEMENT ON SECTION 8(G) PAYOUT

Mr. **Yates**. In the Gulf, I suppose it applies to all the offshore leasing, have you reached agreement on how much extra you are going to pay the coastal states?

Mr. **Bettenberg**. Yes. We paid it yesterday.

Mr. **Yates**. Did you? How much did you pay?

Mr. **Bettenberg**. Pursuant to law enacted by Congress.

Mr. **Yates**. That is the budget resolution, isn't it?

Mr. **Bettenberg**. That is the budget resolution. The amount we electronically transferred to them yesterday—we can spend money at the speed of light—was $887,030,000. That does not include the amount that we will pay to Louisiana on the first of October which is going to be $572 million for bonuses, $43 million for royalties, approximately, plus interest from today until the first of October.

So we still have $600 million we will have to pay them. Then we have another, as I recall, $650 million roughly that we have to pay out to the six states over the next 15 years.

Mr. YATES. Have you made your deal with Texas?

Mr. BETTENBERG. That is included. That was $382 million plus $37 million in royalties yesterday.

Mr. YATES. What is the basis for paying them this money? I know the congressional action, but what about the argument?

Mr. BETTENBERG. It is the law.

Mr. YATES. You opposed it, didn't you?

Mr. BETTENBERG. Yes. We opposed it.

Mr. YATES. I am inclined to oppose it as well. Tell me what their rationale was.

Mr. BETTENBERG. Section 8(g) of the OCS Lands Act provides that when we lease in the area within three miles of the state waters there should be an equitable distribution of the bonuses, royalties, rents, so forth.

Mr. YATES. And the tide lands are considered state waters.

Mr. BETTENBERG. They are. In the case of most of the states, that is three nautical miles. In the case of Texas and the west coast of Florida, that is typically three leagues. So for the next three miles beyond those State boundaries is where we get into what we call the 8(g) zone.

The States initially pushed the concept fair and equitable. After the law was passed, fair and equitable meant half. They thought they should get half of the revenue and pursued that in the courts. In Texas' case, they lost the argument for half, but the district court judge ruled if the state's leasing had enhanced the bonuses on Federal leases, then they should be entitled to half of the enhanced value.

Until a few days ago we were pursuing that on appeal in the circuit court. In Louisiana's case, it had not gone to trial on the substance because the state kept delaying hearings on the thing. That is the sum and substance of it.

Mr. YATES. Is that case now moot?

Mr. BETTENBERG. I would think that case is now moot. Mr. Sant can speak to that.

Mr. SANT. There were some court orders in Texas enjoining us from removing any of the funds. We did file motions with the court in Texas and the court did moot some of the court orders. There is language in this new Section 8(g) that says once a State accepts payment, all prior claims are released. So Texas has accepted the money and they will join us——

Mr. YATES. They have no further claims?

Mr. SANT. They have no further claims and they will go back into court and recommend the court dismiss their case with prejudice.

Mr. YATES. Is this true of all the other coastal states?

Mr. BETTENBERG. So far as the claim, that is correct, but we were in court with only three states, one of which had been a fairly recent—what I describe as a protective filing in the case of Alaska. It had not been pursued at all.

Now, that is the sum and substance of the state position, I believe.

Mr. **Yates**. The question I am really asking is do you have to really worry about making any more payments from these leases to these states?

Mr. **Bettenberg**. We will have to make future payments for royalties collected in the 8(g) zone and for future leases issued in the 8(g) zone, but fair and equitable is now defined as 27 percent. So it is clear how much.

In our view, the original statute 8(g) was intended to simply cover drainage situations where we were actually draining state resources.

There is a lot of legislative history on that point and no legislative history on any other points. That was the basic issue.

That would have amounted to perhaps a couple percent at the max.

Mr. **Yates**. Is there an enormous incipient liability to the Government?

Mr. **Bettenberg**. Only to the extent we get future revenues.

Mr. **Yates**. Well, it gives them a priority interest in Federal lands, doesn't it?

Mr. **Bettenberg**. It would be like the onshore situation in effect for that three mile zone.

Mr. **Yates**. What does it do with estimated future Federal revenue?

Mr. **Bettenberg**. Well, for the——

Mr. **Yates**. Gives them a lien for 27 percent?

Mr. **Bettenberg**. Of the portion within the first three miles. Now, that would be probably—well, it will take some royalties. Mr. Sant might be able to give you an estimate of that.

Mr. **Sant**. The immediate obligation is the $650 million over the next 15 years. For the first five years there will be a payout to the six states of $19.5 million a year; from year six through year ten, there is a payout from OCS receipts of $45 million per year allocated to the various states.

For the last five years, there is a payout of $65 million per year to the six states. Plus there is probably going to be somewhere between $40 million to $60 million a year in royalty revenues over the next five years annually being paid to the six states.

Mr. **Bettenberg**. It will have a substantial effect in places where we go to leasing for the first time within three miles of state waters. For instance, in California, assuming we reach an agreement and we actually have leases within three miles, the state then would get 27 percent of the bonuses and if they discover something and we ever have royalties, they would get 27 percent of the royalties, also.

Mr. **Yates**. So the states get six miles of royalties, don't they?

Mr. **Bettenberg**. They get 100 percent of the first three miles and for Texas, for instance, that is in effect about ten miles. Then they get 27 percent of anything in the next three miles.

Mr. **Yates**. They may be draining from us in their state waters; is that right, from Federal lands?

Mr. **Bettenberg**. In some instances that might be right.

Mr. **Yates**. Can you stop that?

Mr. **Sant**. Can we stop drainage?

Mr. **Yates**. Yes. Can you charge the states for oil that goes from Federal lands to the states?

Mr. **Sant**. No. All we can do is require our lessee to try and drill an offset well adjacent, still in Federal waters but fairly close to the State waters to avoid the drainage.

PACIFIC OCS PROGRAM

Mr. **Yates**. Let's talk about the Pacific now. Mr. Grant, you have the honor of working on the California moratorium, haven't you?

Mr. **Grant**. Yes, sir.

Mr. **Yates**. The status of that is under discussion now with the group of people assembled under the chairmanship of Senator McClure and Representative Panetta; right?

Mr. **Grant**. There are a lot of things that are happening in California. That is one of them. There is some progress being made in other areas, of course. We have three development plans that have been approved this past year.

We are working on the fourth. We think that will increase production from the current level of roughly 80,000 barrels a day to 450,000 barrels a day by 1992. We have offered, since 1963, 1,690 leases off of California.

We have had bids on 420. We have leased 369. We have explored 141.

We currently have 172 active leases. We have 14 leases that are producing a total of 19 platforms. So we are making progress in production.

The leasing questions still remain. Those are being worked on.

We have two sales under the current five-year-plan that are underway as far as being considered, sales 91 and 95. Those also are included in the new proposed five-year-plan.

There are six proposed sales in that plan through 1991, including one off of Oregon and Washington. We have taken recommendations of state and local governments in some areas and are proposing to divide the state into three planning areas.

The last sale we held off of California was sale number 80 in October of 1984. The next one that would be on our schedule would be in April or May of 1988, a period of about four years between the sales.

We have two air quality studies that, I think, are of interest and importance that are reaching various stages of completion. We have pretty much completed the JIM Study, Joint Interagency Modeling Study, working with the state and local government and EPA.

We also have a SCCAMP study, South Central Coast Aerometric Monitoring Program, which is partially funded with appropriations. That is underway and we have two additional parts that will be underway this year, data analysis and data archiving.

Last week, we announced selection of a contractor to help us in negotiating with the state and local governments and interested parties in rulemaking on air quality. So we are making some progress in the development of plans.

Leasing questions are still unresolved and, as you indicated, a lot of discussion about that.

Mr. BETTENBERG. If I could supplement that. We have had, I believe, five sessions of the principles named in the Act last year so far as the group that is supposed to provide—I am paraphrasing—a range of advice to the Secretary with regard to future leasing in California.

Those sessions up until now have been basically information-gathering sessions, a couple of organizational sessions, and then there have been sessions with representatives from state and local government. We made a presentation on geology and other factors.

The last session, last Wednesday, had a group of representatives from national environmental organizations and from three major oil companies to discuss their varying perspectives with regard to it.

We have agreed at this point, to meet weekly. The weekly meeting will start tomorrow, getting down to the substance of the discussions so far as options and so forth.

I would like to say two things about that. First, I would like to very much encourage your participation in that. If there is going to be an agreement, it is going to take the good will of a lot of people and I would hope that you would help bring that about.

Mr. YATES. I am a man of good will.

Mr. BETTENBERG. I know. I have been before you for many years and I think that is true. It is a difficult task and it is made particularly difficult because the areas have great potential, and they really are of great potential from an oil standpoint, are very close to the coast line.

So it gives you——

Mr. YATES. At what point is this?

Mr. BETTENBERG. In California.

Mr. YATES. But all along the coast?

Mr. BETTENBERG. I could show you in a fair amount of detail.

Mr. YATES. Let me ask you a question, Mr. Bettenberg. Can't you give Mr. Panetta the 150 acres he wants and be happy with that?

Mr. BETTENBERG. The 150 tracts that he wants?

Mr. YATES. Yes.

Mr. BETTENBERG. No, because we believe there is substantially no oil or gas there.

Mr. YATES. Is that why he wants to give them to you?

Mr. BETTENBERG. Yes. And they tend to be further offshore.

Mr. YATES. Than you want to go.

Mr. BETTENBERG. In deep water.

Mr. YATES. Than the industry wants to go.

Mr. BETTENBERG. Than anybody has ever developed before.

Mr. YATES. I see. All right.

Mr. BETTENBERG. I could show you——

Mr. YATES. Incidentally, have the governors of Oregon and Washington welcomed you with open arms?

Mr. BETTENBERG. Let me ask Mr. Grant to address that. They have commented or will be commenting on the five-year program and we responded to their comments on the last round.

Mr. GRANT. We held a hearing up there last week as part of the five-year program consideration in Portland. Representatives of the State of Washington testified.

The State of Oregon was there, but did not submit comments. They have indicated some support, qualified support, and some concerns about fishing conflicts. We have acknowledged those.

Mr. **Yates**. Would you consider that qualified opposition, too?

Mr. **Grant**. Qualified support, I would. We have indicated to them that we will be considering that in the final five-year plan. No decision has been made on that yet. So they are involved and have provided comments to us.

Mr. **Yates**. Is Governor Deukmejian on record on this?

Mr. **Bettenberg**. Governor Deukmejian is on record as opposing moratorium. He is on record as supporting the process as specified in Sections 18 and 19 of the OCS Lands Act. He is on record as having objected to us issuing a call for information and nominations for northern California.

Mr. **Yates**. What about sale 91?

Mr. **Bettenberg**. I am sorry. That is this area.

Mr. **Yates**. He does not like that?

Mr. **Bettenberg**. His concern, which we have had difficulty understanding, is that he visualizes a process where you develop the five-year program and once that is completely in place you then start the process for holding sales. If we were to agree to that there would be a two-year hiatus in leasing everyplace in the country.

We are well underway on other sales that will be in the next five-year program in the Gulf of Mexico, for instance, and Alaska, and so forth. That particular issue has been commented on by the court when they ruled on the five-year program before, that it is clearly envisioned in the law that you have to have the five-year program in place before you go to sale, but you can start the process, the call for information, writing the environmental impact statement, and so forth.

But he has voiced that objection to our process. If I could orient you, it is difficult to see from where you are, but basically if you visualize the California coast starting at Oregon right here, and going down in this first map to Sonoma County, the area that we have included in the call for information for that sale is the area in yellow and in this particular case in the southern area the Point Arena Basin, the orange, also.

Mr. **Yates**. What is the purpose for the call for information? To find out whether there is industry interest?

Mr. **Bettenberg**. In the call for information we are asking industry, states, concerned citizens, environmentalists, so forth, what their interests are, what their concerns are, the things we should address in an environmental impact statement, and so forth. The areas in orange on this map are areas previously leased during the 1960s and drilled.

The results of that drilling in this area were negative, in the Eel River Basin were negative, and in the Point Arena Basin there were oil shows at that time.

Mr. **Yates**. Is that off Los Angeles?

Mr. **Bettenberg**. This goes down only so far as Sonoma County. This is north of San Francisco. This is the northernmost of the three planning areas off California.

The areas that we are talking about, so far as including in the call for information, are basically off Humboldt County, Eureka and off Mendocino County, Fort Bragg. The area in yellow is also the area of very substantial industry interest and the nub of the problem comes because the coast pitches off very sharply and it gets very deep, very quickly.

In the 150 tracts that Mr. Panetta offered last year and which he has tendered legislation, proposed legislation, 99 of those tracts were in the Eel River Basin which we consider to be a good prospect for natural gas, but they were in largely deep water and further offshore.

So there is some overlap with this yellow, but basically they continued up like this. There were no tracts included in the Point Arena Basin. His legislation and the preliminary agreement from last year would have provided for drilling one cost well, a deep stratographic test well, so long as it was, as I recall, 18 miles or further from shore.

We consider that to not be a very interesting prospect because we have some structure wells that have actually been drilled there and the results from those.

The second map is the Central California planning area extending from the Mendocino County line down to the San Luis Obispo County line. To orient you to the map, San Francisco would be at this point on the map, San Francisco Bay.

The Big Sur area is in this area opposite the word Santa Maria Basin onshore and then the Monterey area is in this area from Monterey to Santa Cruz.

Mr. YATES. What does the blue mean?

Mr. BETTENBERG. The blue means the areas we have deleted from the five-year program at this point. That is the Big Sur area and the area off Monterey Bay and that is the largest share of the areas that we have deleted from that.

There are other areas that are deleted that were also covered by statute such as the area off of Point Reyes, the area off the Farallon Islands and we have included the area off of Cordell Bank, a small bank right here.

Also, we have taken out some of the areas just outside San Francisco Bay.

The yellow again indicates—and in some places it looks almost green because it is shaded with the blue. The yellow again indicates the area of what we are describing as composite interest in that moratoria zone. There has been previous drilling in the places on the map with little black marks.

The orange areas were previously leased during the 1960s. The black marks are where they were drilled and also down here in the Ano Nuevo Basin which is an area south of San Francisco.

Again, this area had good oil shows and this is an area that is highly prospective from the standpoint of finding oil. The area south of there off Monterey, Big Sur, is taken out of the program.

Mr. YATES. Okay.

Mr. BETTENBERG. For southern California, you will recall that the area north of Morro Bay is where the moratoria line used to run. That goes from here north.

We have this area of composite interest that we are following up on. We don't have anything comparable to that in the area shown on this map for the area not in moratorium.

The green on the map is existing leases. The orange is previous leases that have been relinquished and this area starting basically around Port Hueneme and going up to around Point Sal off San Luis Obispo County is the area where major development is taking place right now.

Santa Barbara Channel runs from Port Hueneme to Point Conception in that area. The black line further to the south and east is the old moratoria zone line and again we have shown the composite industry interest in that area.

That is what we are discussing right now. The area south of Santa Barbara Island is a military operating area that we had taken out of the five-year program because it is not a conflict that we can have joint use involved with and then you have several zones up around Santa Barbara that are out because of various reasons.

Mr. **Yates**. What are you going to do about Santa Monica Bay?

Mr. **Bettenberg**. That is the area in yellow and that is part of the discussions. I don't know what we are going to do about it.

Mr. **Yates**. You are kind of caught on the horns of a dilemma, aren't you? Whatever leases you issue now if they reflect market value are going to be low, are they not?

Mr. **Bettenberg**. Well, they would be but we won't have any leasing before 1988 in any of these areas, and we don't know what prices will be in 1988.

Mr. **Yates**. But you are going to have sales. No sales?

Mr. **Bettenberg**. Not in California.

Mr. **Yates**. Well, what about the rest of the country? Is this the time to have sales?

Mr. **Bettenberg**. It is a good question. It is one we have looked at carefully.

We have concluded that it is prudent to go ahead with the next Central Gulf sale.

Mr. **Yates**. You won't get very much money for it, will you?

Mr. **Bettenberg**. Well, we think we won't get very many bids.

Mr. **Yates**. What is an adequate bid?

Mr. **Bettenberg**. We have defined an adequate bid. Since we are a bureaucracy, we set up rules for these things.

Mr. **Yates**. The rules won't become effective until next Fall, though, will they?

Mr. **Bettenberg**. These have been in effect for some time. First and foremost, if a company does not bid $150 an acre or more in the Central Gulf sale, we won't accept the bid.

Mr. **Yates**. Is that pretty high, $150?

Mr. **Bettenberg**. That is pretty high. It is high enough that no one would bid that in the Atlantic, for instance. It will knock out of the competition for leasing quite a number of tracts in the Gulf of Mexico.

Second, we have a Monte Carlo modeling technique where we evaluate tracts, and a tract either has to have three or more companies bidding on it in order to be acceptable or else it has to pass through our evaluation techniques.

Included in our evaluation techniques will be a projected price which will be developed by our economists and if a company does not bid that amount——

Mr. YATES. Based on market?

Mr. BETTENBERG. That will be based on their forecast of market over a long period of time. See, the company has to base its bid on what they anticipate the market will be over a long period. So that is the way we do it.

That will be taken into account. Then if a company bids higher than that amount, then they get the lease. But I think we will have a substantial reduction in the number of tracts actually bid on in the sale.

That is particularly the case because we have had three previous sales in the Central Gulf and have leased some thousand tracts over the last three years. I think it must be approaching a thousand or so.

So the tracts have been fairly well picked over.

Mr. YATES. You don't have anything to do with the sale of the Naval Reserves, do you?

Mr. BETTENBERG. No. We don't.

Mr. YATES. I don't think that is very smart at the present time, do you, because of the oil prices?

Mr. BETTENBERG. I haven't thought about that.

Mr. YATES. Would you like to think about it?

Mr. BETTENBERG. If I were speculating in the market, I guess just personally, I probably would hold off sales of something like that. On the other hand, there are a lot of people who are selling oil at current market prices.

Mr. YATES. Yes, they are. Unhappily, though, aren't they?

Mr. BETTENBERG. They describe themselves as unhappy, but they are, in the United States alone, selling some 16 million barrels a day at those prices.

ROYALTY MANAGEMENT COMPUTERS

Mr. YATES. Tell us about your computers. Now that you have sent Mr. Boldt over to his impossible mission—

Mr. BETTENBERG. I think if anybody can handle that mission, it is Bob.

Mr. YATES. I think that is true, but that assumes somebody can handle it. Does that mean you are satisfied with the progress you have been making on computers?

Mr. BETTENBERG. Not at all.

Mr. YATES. Did you not like what he was doing?

Mr. BETTENBERG. That is apart from him. You recall the testimony from last year where I indicated that a really lousy decision was made back in 1981 so far as buying the VAX computers. We now have a new computer installed. That gets back to my testimony this morning where the contractor is behind schedule.

At this point, we are advised they will have completed their work and turned over the code to us about the end of June.

Mr. YATES. This is Martin Marietta?

Mr. BETTENBERG. This is Martin Marietta. The computer we have is an IBM 3081.

Mr. YATES. When are you going to finish your data base cleanup?

Mr. BETTENBERG. A major chunk of it gets completed this month, as I recall.

Mr. DETLEFS. The data base clean-up project is scheduled to be completed by September 30, 1986.

Mr. BETTENBERG. That is scheduled for completion this September. There are several components. A major component of that gets completed this month.

That is an effort that involves us, the Bureau of Land Management, the Bureau of Indian Affairs, the states, and probably several tribes, doing all the comparisons with the lease records to make sure all of our data is correct.

Mr. YATES. What does this mean in terms of the satisfactory quality of the computer? When will you know whether it is satisfactory, the new one?

Mr. BETTENBERG. That has nothing to do with the question of computers.

Mr. YATES. I know. I am just thinking you wound up two or three years after you put the VAXs in saying this is a real headache. Are you going to do the same with the new computer?

Mr. BETTENBERG. I think not. You recall the year the system was installed, the department was back up asking for money for a new computer system.

Mr. YATES. Right.

Mr. BETTENBERG. So before the system was even implemented, it was clear that a bad decision had been made insofar as the computers were concerned. It takes a long time to work out of that unfortunately.

We presumably accept the system on or around July 1st. We will do approximately two months of systems testing and then two months of parallel testing of the systems. At that point, we will presumably accept the system.

Any problems we find during that period the company will have to correct. Assuming that Martin Marietta hits its new schedule, and we have more confidence in that than we have in any previous schedule they gave us, then about the end of October we will accept the system.

Mr. YATES. Well, now you say it is estimated over 300 enhancements will be ready to be made when AFS becomes operational in the mainframe environment.

Mr. BETTENBERG. We have a lot of enhancements to make.

Mr. YATES. 300?

Mr. BETTENBERG. Probably. We have quite a schedule of them to go in. I don't know precisely when each of those will be done.

Mr. YATES. Good luck.

Mr. BETTENBERG. An enhancement can be something major or it can be a very minor improvement in a report, for instance.

Mr. YATES. And you can have more than 300.

Mr. BETTENBERG. We can have more than 300.

Mr. YATES. You have got to clean up the data base first, don't you, before you can go to work on that?

Mr. BETTENBERG. No. It is independent. We can implement the system with a clean data base or a dirty data base. We have been in the process of cleaning that up.

That works on and improves the situation with regard to VAXs as well as IBMs.

Mr. YATES. Now, you have got a task force looking into the problem. Have they made any recommendations yet?

Mr. BETTENBERG. We have a task force from the advisory committee and, no, they have not made any recommendations yet.

Mr. YATES. When are they going to recommend?

Mr. HILL. They have a panel working on it now, sir. They may have a recommendation when the entire committee meets in, I think, June. Whether or not the technical panel will have recommendations ready at that time, we do not know, sir.

Mr. YATES. Tell us about Lakewood. What is your priority there?

Mr. BETTENBERG. Well, Lakewood is our Royalty Management headquarters and center. Mr. Hill is our Associate Director, who heads the operation there.

He was hired last fall from the State of Louisiana where he has previously had responsibility for royalty management types of systems over a long period of time and, in fact, some of the MMS systems work was patterned on work done in Louisiana previously.

We have a number of things we are trying to accomplish there. The first is from an operational standpoint to get the system converted and functioning on the IBM and to start making the enhancements so it will work better.

It will work better, we strongly believe, just by virtue of being on the IBM to begin with, but then there are things that we can improve with the system and that is what the 300——

Mr. YATES. What does the phase "work better" mean?

Mr. BETTENBERG. Work better, let's see——

Mr. YATES. I remember you used it, "work better".

Mr. BETTENBERG. Yes. The system works right now in the sense that you can put the data in and it does all the functions that it is designed to do and it gives you reports. There are some things that in hindsight or because of new requirements that came about because of the Federal Oil and Gas Royalty Management Act that weren't fully contemplated in the initial system so those sorts of things will be improved.

I will give you some examples. The system as designed combines certain information with regard to a lease that makes it difficult for a person getting information at the tail end of the system to just aggregate so far as individual payments are concerned.

That causes some confusion in Indian payments, as well as some confusion to the States. So one of those enhancements is additional coding to be able to put that information out in more detail so that we can give more complete reports to Indians and to states.

There is a whole series of things like that that we have. As we make each of those improvements then the system will do more for us.

Mr. YATES. Presumably this is the "end all and the be all", this new system of yours.

Mr. BETTENBERG. We would not claim that.

Mr. YATES. That is true. I can understand that, but it is your hope, as I understand it.

Mr. BETTENBERG. That is one of the priorities we have for royalty management.

Mr. **Yates.** But then we have information from our investigating staff that has looked into the problem. They say that your contract with Martin Marietta has encountered serious problems, that you were supposed to get system X in April 1986, right now.

Mr. **Bettenberg.** I think that is what I have already testified to. They are behind schedule.

Mr. **Yates.** That is right. Now you are not going to get it until October, if you do get it then. But the reason for it, according to the contractor, is your data base is in much more disarray than was expected.

Mr. **Bettenberg.** No.

Mr. **Yates.** That is what the contractor told our staff.

Mr. **Bettenberg.** I don't think they would have described it that way.

Mr. **Yates.** How would they have described it?

Mr. **Bettenberg.** They might have made a claim that the documentation for the system was not as good as they had anticipated. On the other hand, we made available to all contractors an opportunity to review the documentation before they bid.

Mr. **Yates.** Does the department have automated lease systems pending?

Mr. **Bettenberg.** We have such systems. The BLM is creating a system with the acronym ALMRS, A-L-M-R-S, that is a basic recordkeeping system on leases, at least a filing system.

Mr. **Yates.** Who performs the oversight on the automated leasing systems?

Mr. **Bettenberg.** The automated leasing systems that we have have received oversight from the General Accounting Office, the Inspector General, the investigative staff of this committee, the General Accounting Office staff working for the Udall committee, the General Accounting Office staff working for Mr. Synar.

Internally, we have had a post-implementation review which was a multibureau team that looked at our system's plans last, a year ago, roughly, and that was headed by a Mr. Jim Cason who, at that time, was with the Bureau of Land Management.

It had oversight from the department and approval. It has had lots of oversight, Mr. Chairman.

Mr. **Yates.** We talked about the 300 enhancements. Have you any idea what the cost of the enhancements will be?

Mr. **Bettenberg.** I don't. I think we would have to supply that for the record.

Mr. **Yates.** Okay.

[The information follows:]

Cost of AFS Enhancements

To date over 70 enhancements have been formalized and approved for implementation after the Auditing and Financial System (AFS) is operational on the IBM mainframe computer. The cost of these enhancements is approximately $300,000 at the current estimated contractor rate. Additional enhancements are routinely being identified and analyzed, but MMS and the contractor lack experience with AFS software on the new IBM operational environment, and therefore no cost estimates are yet available for the balance of enhancements.

Mr. **Yates.** Will your office be fully implemented on system X?

Mr. BETTENBERG. I would like to steer away from the words "fully implemented".

I have gone back—there is a little titter in the audience there. I have gone back and looked over the records, for instance, for 1983 and 1984, fiscal year budget justifications, and those terms must have been used more loosely than they should have at that time.

What I prefer to tell you is what will be implemented and my guess is that AFS will always be an evolving system like most complex systems.

At the time that it is converted, it is supposed to perform all the functions and essentially in the same way as the current VAX system, but more efficiently.

That is the basic requirement in the contract. It is a performance test that we are looking for. That means that it will do the basic processing for the collections and the royalty reports that come in.

It will distribute the amounts to the states, Indians allottees, Federal Treasury. It will do billable exceptions processing.

There are a variety of programs that were originally conceived with the system on what is called non-billable exceptions processing.

Those are basically leads as to possible underpayment, but not underpayments that can be directly calculated in the system.

That hardware or that software has never been tested on the VAX computers. We will have it converted, but we won't really know precisely what we have there.

Some aspects of that we probably never will implement. Other aspects of it we will find value with it, and we will do what is necessary to get them implemented.

In addition to that, we will have a wide variety of enhancements to make as we go along.

Mr. YATES. Well now, your software is written for the VAX, isn't it?

Mr. BETTENBERG. Yes.

Mr. YATES. Won't you have to change that?

Mr. BETTENBERG. That is what the contract is doing. In large measure, the software is written in the Cobol computer language for the VAX.

Cobol is a relatively universal language and there is an IBM version of it. There are portions of the software that are proprietary and they have to be coded all over, in effect.

But that is the guts of the contract that we have right now with Martin Marrietta.

Mr. YATES. How much money is represented by $5,400 a day?

Mr. BETTENBERG. Well, that over six months would be almost a million dollars and we are more than half way there now, so I would guess it is someplace between $550,000 and $600,000.

Mr. YATES. Are you going to hold to your request for that money?

Mr. BETTENBERG. We anticipate doing that. We have not paid that money to the company. They may have some claims.

We will have to examine each of those and weigh those on the merits to see if any claims are legitimate.

Mr. YATES. Tell us about your honor system. I understand you are depending on the veracity of the lessee.

Mr. **Bettenberg.** I don't think that is correct.

Mr. **Yates.** Have you got the manpower necessary to verify the data?

Mr. **Bettenberg.** Certainly not to verify all of the data.

Mr. **Yates.** How much do you verify?

Mr. **Bettenberg.** It would be difficult to put a percentage on it. What we have is basically a system that is patterned in concept after the Internal Revenue System.

Mr. **Yates.** That is true, and I don't know that that is adequate.

Mr. **Bettenberg.** It is difficult to say.

We have——

Mr. **Yates.** You don't have nearly the manpower IRS has, either, do you?

Mr. **Bettenberg.** Per return, probably, yes.

I don't know. I don't have any idea how big IRS is.

Mr. **Yates.** IRS is big.

Mr. **Bettenberg.** They collect a lot of money from a lot of people who make relatively small payments.

Mr. **Yates.** You should be collecting more than you are collecting, right?

Mr. **Bettenberg.** Probably modestly more.

Mr. **Yates.** You don't know that, do you, whether it should be modest or more than modest.

Mr. **Bettenberg.** I think it would be modest.

Mr. **Yates.** You won't until you have a better handle on it, is that right?

Mr. **Bettenberg.** I think we have a pretty decent handle on it now. We have on our audit staff roughly 140 people.

Mr. **Yates.** All right.

You have your audit staff; you have this big manpower pool of yours, as big as IRS per return. I understand your testimony to be that.

That being so, could you tell us how much you have collected since 1979?

Mr. **Bettenberg.** I don't have the documents in front of me.

Mr. **Yates.** Would any of your staff have any idea?

Mr. **Bettenberg.** I don't think so, but we provide an annual report to Congress that shows how much we collect each year.

Mr. **Yates.** What was the percentage?

Mr. **Bettenberg.** It was about $8.5 billion in fiscal year 1983 and $7.5 billion in fiscal year 1984.

Mr. **Yates.** Suppose I were to suggest it might be a figure like $28 billion since 1979. Would you say that was right or wrong?

Mr. **Bettenberg.** That sounds a little bit low. I have just accounted for $16 billion in two fiscal years. The year before that it was probably better than $10 billion.

Mr. **Yates.** Let me tell you what our investigators say.

Mr. **Bettenberg.** Is that a report we prepared?

Mr. **Yates.** No, it is information we prepared.

Our investigative staff prepared it, and it says, "An estimated five to ten percent of royalties owed go unreported."

Mr. **Bettenberg.** Do they have any documentation in the report for that?

Mr. **Yates.** Well, I will read to you.

"MMS, State and private sector officials"; "MMS"—that is you—"State and private sector officials"—you in total—"in sum, stated that unreported royalties owed on Federal and Indian oil and gas leases may range from five to ten percent. The Linowes Commission report estimated that royalties due are normally understated by seven to ten percent. Interior's OIG, in its September 30, 1985, summary report indicated that, based on a look-back audit of 34 companies, of dollars audited, a 6.3 percent error of underpayment was found.

"Applying the five to ten percent of estimated unrecovered royalties to the $28 billion of royalties collected since 1979, the results would be uncollected royalties ranging from between $1.4 billion to $2.8 billion. Interest charges on late payments and *potential* penalty dollars would also greatly increase the royalty payments owed."

Then the staff goes on, Mr. Bettenberg, and says this. "The audit responsibility for oil and gas royalties is shared by the Royalty Compliance Division of MMS, FOGRMA section 202/205 cooperative and delegated audits to States and Indian tribes, and the Department's OIG. From October 1981 through September 1985 audits have identified over $278.5 million of additional royalties due." That is four years. "Included in this amount is $114.6 million identified by OIG look-back audits."

So, that is the basis for their contention that five to ten percent of royalties owed go unreported. It sounds reasonable, doesn't it?

Mr. **Bettenberg**. I doubt if they have a serious basis for it.

Mr. **Yates**. Why does the IG come to that conclusion? The IG is unreasonable sometimes, too, isn't he?

Mr. **Bettenberg**. No, the IG, it sounds like, was doing a straight forward calculation. I guess I would have two responses to that.

Mr. **Yates**. Let me first point out what I said before. I said that the unreported royalties may range between five and ten percent. The IG found a 6.3 percent error.

So, that is between five and ten percent.

Mr. **Bettenberg**. Some of the things the IG estimated have turned out, upon detailed audit, to not actually be valid.

But beyond that, that is the reason we have those. We have actually collected some $280 million in audits over a period from late 1981.

Mr. **Yates**. Have you seen the IG's report dated April 10, 1986?

Mr. **Bettenberg**. That is the one I read last night.

Mr. **Yates**. Right. Did you read it hurriedly or carefully?

Mr. **Bettenberg**. Fairly hurriedly. I was reading a lot last night. I don't recall having seen that figure.

Mr. **Yates**. And you were watching television, too, because of the attack on Libya.

Mr. **Bettenberg**. That is true, as a matter of fact.

Mr. **Yates**. So, you weren't concentrating as you usually do?

Mr. **Bettenberg**. I don't recall seeing that figure in there, but it might have been there.

Mr. **Yates**. Okay. It is there.

The status of—I read from page one—"$151.6 million of unreported underpayments reported as of December 1, 1985 is as follows: (1) MMS has collected $38.7 million and assessed $2.1 million; (2) $56.5 million awaits legal decisions and/or implementing guidance; (3) $11.2 million has been resolved in the favor of payors; (4) $32.7 million has not been resolved by MMS; and (5) $10.4 million of new report findings are still being reviewed by MMS."

Let me ask you, Mr. Bettenberg, how much has MMS assessed in penalties so far?

Mr. **Bettenberg**. We have assessed one large penalty that was about $20 million.

Mr. **Yates**. Would any of your assistants know the full amount?

Mr. **Bettenberg**. We might have to do a combination.

Mr. Detlefs?

Mr. **Detlefs**. I can speak with regard to late reporting and erroneous reporting, $10 a line, based upon FOGRMA. It has been about $600,000 over the last year.

Mr. **Yates**. Total assessments?

Mr. **Detlefs**. Of $10 a line for late reporting and erroneous reporting, $600,000.

Mr. **Yates**. Is that a lot or a little?

Mr. **Detlefs**. That is a lot considering there is nothing prior to around March 1985. That is when we first started.

Mr. **Yates**. How much of the $600,000 did you collect?

Mr. **Detlefs**. We collected most of that money. They appealed some of that, but they still paid pending the appeal process.

That is not including the interest payments Mr. Bettenberg referred to earlier.

Mr. **Moyers**. Of the $280 million in audit collections, about $30 million of that is for late charges and liquidated damages, so that, coupled with these figures, about $32 million.

Mr. **Bettenberg**. At this point, we are beginning to——

Mr. **Yates**. How much of that was collected? That is assessment, isn't that, or is that collection?

Mr. **Moyers**. That is collection.

Mr. **Yates**. Out of how much? Let me try to get it straight.

How much was assessed?

Mr. **Moyers**. Thirty two million dollars. We have collected all of it that we have assessed.

Mr. **Yates**. You have collected all that you have assessed.

Mr. **Moyers**. For the penalties for the late payments.

Mr. **Yates**. How about the other penalties?

Mr. **Bettenberg**. In addition to that, the Act provides for civil penalties, and we have one large amount that is pending before the Interior Board of Land Appeals.

That was something in the range, as I recall, of about $20 million.

That was with Marathon Oil for what we thought were egregious infractions, and they are in the process of paying.

We have been working this past winter on development of what we call a comprehensive enforcement strategy. That includes using civil penalties on a more regular basis.

We have some four claims out, at last count, from audit on failure to provide records. At least three of those cases are take-or-pay contract cases.

One of those was appealed, and one of them, as I understand, the company complied. We have some 1[illegible] recent cases out for failure to pay.

I don't recall the total amount. Those range from a few hundred dollars to up as high as maybe $170,000 in amounts not paid.

So, we are just at this point getting into the process of dealing more effectively with our civil penalty procedures.

Mr. **Yates**. Under FOGRMA you are supposed to impose appropriate penalties for failure to make royalty payments.

How much have you assessed up to now? How much have you assessed in appropriate penalties?

Mr. **Bettenberg**. We have the one case with Marathon and, as I recall, that is something around $20 million. On other cases, we are waiting right now to see whether we get compliance or whether we proceed with the assessment.

What we find usually is when somebody is threatened with a penalty, in fact, they comply.

Mr. **Yates**. They do comply.

Mr. **Bettenberg**. It is my understanding.

Mr. **Yates**. All right.

Now, you are supposed to apply penalties for failures to permit audits. Have you applied penalties for that?

Mr. **Bettenberg**. No. That is what we have on failure to provide information out with four companies right now.

Mr. **Yates**. Now, you said that Marathon was one of those against whom you had assessed a penalty for failure to make royalty payments, and there were others that are pending.

Who are the others? How many others are there and who are they?

Mr. **Bettenberg**. At this point, we have four companies on failure to file information.

Mr. **Moyers**. We have four pending.

Mr. **Bettenberg**. Four of those are take-or-pay. We have 17 cases for failure to make royalty payments.

Mr. **Yates**. Owed royalties, yes.

Mr. **Bettenberg**. We have 17 cases on the list that I got. It included a lot of companies I never heard of before, and there was a small amount, a hundred some thousand for some payment from Shell Oil Company, I think, and some amount for another company.

Mr. **Yates**. How many companies are there who pay you royalties?

Mr. **Detlefs**. There are about 1,500 active royalty payors every month.

Mr. **Yates**. These are companies and businesses of various kinds, right?

Mr. **Detlefs**. Yes.

Mr. **Yates**. All right.

We know Marathon has been delinquent, and you assessed a penalty. I am trying to get numbers here.

There are four others who you said against whom you are preparing penalties unless they comply.

Mr. **Bettenberg**. We have put them on notice. We are preparing documentation and have informed them otherwise we will assess penalties.

Mr. **Yates**. What figure did you give, sir? Was it 1,500?

Mr. **Detlefs**. Fifteen hundred active.

Mr. **Yates**. Fifteen hundred active royalty payors. How do you know who is delinquent? Who checks to see if companies are delinquent?

Mr. **Bettenberg**. The way the law works is, we have to detect it and put them on notice, and if they then fail to comply then we can assess the penalty.

Mr. **Yates**. The way the penalty is assessed is what, on the basis of the computer spit-out system?

Mr. **Bettenberg**. No. The penalty is assessed through a process with an administrative law judge.

Mr. **Yates**. How does it start? It starts with——

Mr. **Bettenberg**. It starts, the computer, for instance, as one example——

Mr. **Yates**. The computer spits out something.

Mr. **Bettenberg**. It detects a late payment.

Mr. **Yates**. If you prefer that, okay.

Mr. **Bettenberg**. And files a report.

Mr. **Yates**. Who used the term "computer spit-out"? I didn't generate that, did I?

Mr. **Bettenberg**. It was on our side. It was either me or Mr. Detlefs.

Mr. **Yates**. Let me ask you how many of the 1,500 are delinquent, Mr. Detlefs.

Mr. **Detlefs**. There are basically three categories of penalty-type actions.

Mr. **Yates**. I am talking about owed royalties. Are there categories of that, too?

Mr. **Detlefs**. There are underpayments of reported royalties. There are late payments where someone pays royalties late. There is late reporting where someone may pay on time but report late and then you have inaccurate reporting where we charge $10 a line.

There are all kinds of categories here. We use the term "penalty" very loosely.

Mr. **Yates**. Are these your two people? How many people do you have checking?

Mr. **Detlefs**. That was strictly late payment Indian I was referring to earlier.

Mr. **Yates**. Those are the spit-outs.

Mr. **Detlefs**. If you choose that word, that is fine.

Mr. **Bettenberg**. Mr. Detlefs has roughly 200 people working for him.

Mr. **Yates**. For how many lines of data, Mr. Detlefs?

Mr. **Detlefs**. Somewhere around 210,000 lines of information provided by payors every month.

Mr. **Yates**. Two hundred and ten thousand. You have how many people working for you?

Mr. **Detlefs**. Roughly 200 people.

Mr. **Yates**. Are they kept busy?

Mr. **Detlefs**. Yes. They are kept very busy.

Mr. **Bettenberg**. In addition to the categories that Mr. Detlefs mentioned—first of all, in all of the categories that he mentioned there would be no civil penalty pursuant to the law.

We do have a system of penalties which includes interest at the IRS penalty rate, for instance, and $10 a line assessments and so forth.

In addition to that, when we have somebody who has made a late payment and we bill them or they have failed to pay and we have billed them and they refuse to pay the bill, then we go into the civil penalty category.

That is the category on which I was indicating, we have 17 active cases right now. We have not actually assessed the penalties on any of those cases yet.

That is a recent action on our part. We are beginning to deal with more sophisticated problems at this point. Up until now, we have been trying to keep our heads above water. Now, we are far enough above water that we are moving into things like enforcement strategies, use of the civil penalties and so forth.

Mr. **Yates**. You expect that system X will identify penalties. That is your new one.

Mr. **Bettenberg**. We don't call it system X, but apart from that——

Mr. **Yates**. What do you call it? IBM?

Mr. **Bettenberg**. We call it the AFS system.

Mr. **Yates**. You call the old one VAX. You call this AFS.

Mr. **Bettenberg**. The computers were called VAXs. They are now called IBMs, because they are IBMs.

The system, in both cases, is AFS.

Mr. **Yates**. AFS, right? It is expected that AFS will identify penalties, right?

Mr. **Bettenberg**. AFS will not identify penalties. It will identify late payments, erroneous reporting, failure to pay with a report.

Through the billable exception process, the system will generate bills.

If those bills are not paid, and the company is given notice to comply and doesn't comply, that will generate penalties under section 109.

Mr. **Yates**. All right.

Now, if information that is introduced into AFS is the same information that was on VAX, how can MMS expect to be able to do anything different than what they are doing now?

Mr. **Bettenberg**. How can MMS what?

Mr. **Yates**. Expect to do anything differently than they are doing now? If the premise is correct, the conclusion is correct, is the premise correct?

Namely, that you are using as your base for collection—your base for operations the system that was introduced into VAX?

Mr. **Bettenberg**. There are probably two answers to that.

First, the system is separate from the data system. Visualize a file.

Mr. **Yates**. Are you saying it is not the same data base?

Mr. **Bettenberg**. No. I am just distinguishing for purposes of definition the difference between a system and the data that runs through that system.

Mr. **Yates**. Is it the same that you used in VAX?

Mr. **Bettenberg**. The data is being purified, made more correct through the data clean-up effort we have described before.

The system that is being converted will use the data in whatever state it is at the time of the conversion and the state of that data is much improved over what it has been in the past.

The system we are converting to will be the same system. It will operate much more efficiently and will be much easier to use to maintain the data in good shape, but then we will be also improving that system once it is converted.

Mr. **Yates**. All right.

When will AFS be in operation?

Mr. **Bettenberg**. At this point we would have to anticipate October.

Mr. **Yates**. When will AFS be in operation according to your anticipation?

Mr. **Bettenberg**. That will be about the end of October.

Mr. **Yates**. All right.

So, next year, when you come in for your hearing everything will be working wonderfully well.

Mr. **Bettenberg**. Well, it should be working well on the new system, and we should be well into the business of enhancing it, making improvements.

Mr. **Yates**. Will you still have the same backlog of owed royalties?

Mr. **Bettenberg**. The system will be easier to use and, therefore, we will be able to work more effectively with it, and use our people more effectively.

That will allow us to track down more cases. So, I would think even just by itself that should improve the situation.

Mr. **Yates**. You anticipate that there will be no complaints when you come in next year?

Mr. **Bettenberg**. I will not ever anticipate that.

Mr. **Yates**. You anticipate there will be.

Mr. **Bettenberg**. I certainly would.

Mr. **Yates**. You anticipate a decline in unreported royalties?

Mr. **Bettenberg**. I think that we are seeing a decline in unreported royalties now.

Mr. **Yates**. Significant?

Mr. **Bettenberg**. It is somewhat difficult to tell, but we have got all the leases in the system at this point; whereas, a year ago we didn't have all the leases in the system.

We have got an active audit program. We are getting out of some of the work that hasn't had high payoff into some of the areas that will have higher payoff, so I think those things are working. The penalties are working for misreporting and so forth.

So, I think we have substantial improvements being made now, and the situation is continuously getting better.

Mr. **Yates**. What is the percentage of Indian payments that you make as compared to the whole system?

Mr. **Bettenberg**. It is about two percent of the total.

Mr. **Yates**. Is that all? My gosh, what is the value of the total system? How many billions is it?

Mr. **Bettenberg**. In the royalty system, the $28 billion might have referred to royalties exclusively.

We bring in—have been bringing in anyhow—the current price may change that quite a bit, but we have been bringing in some place around four and a half billion or so, and the Indian royalties are just over a hundred million dollars.

Part of that is tribal royalties and part of it is allotted.

Mr. YATES. I am going to have a lot of questions for you to answer.

You have had a long, tough day.

Mr. Regula has questions.

How are you bearing up under the operations of the MMS?

Mr. BETTENBERG. It has been an interesting experience, Mr. Chairman.

Mr. YATES. I am sure it has been.

Mr. BETTENBERG. I didn't seek the job. I think I am bearing up well.

Mr. YATES. As a matter of fact, you look too well. You look as though you haven't been worried about it.

Mr. BETTENBERG. That was a result of quitting smoking and gaining 20 pounds, I think. I guess I feel good about the progress we have made.

I have seen how——

Mr. YATES. Is that a bureaucratic approach or executive approach?

Mr. BETTENBERG. That is a personal approach. If I didn't think we were making a lot of progress——

Mr. YATES. You are being sincere and honest and frank about it?

Mr. BETTENBERG. I am. I think that there is a lot that we have to do.

Mr. YATES. What about redesign? Are you going to have to redesign anything?

Mr. BETTENBERG. We are going to look at that. I don't know.

Mr. YATES. Have you, by any chance, seen the program "The Minister" on public television on Sunday night?

Mr. BETTENBERG. I think I watched part of one of those.

Mr. YATES. I think you ought to. All of a sudden I am impressed you might be the perfect civil servant.

Mr. BETTENBERG. That is what I went to work for, Mr. Chairman.

Mr. YATES. I think you ought to take a look at "The Minister".

Mr. BETTENBERG. I don't know whether we personally need to redesign the system.

That is the problem. Redesign will cost a lot of money. I have seen estimates of $10 million, for instance.

It depends on what you are redesigning for.

Mr. YATES. It depends also whether the redesign will help you bring in much more than $10 million.

Mr. BETTENBERG. Absolutely.

Mr. YATES. Who is doing your redesign thinking for you?

Mr. BETTENBERG. Royalty Management people will be.

Mr. YATES. Under a consultant contract?

Mr. BETTENBERG. No. We will be doing it directly. We do have a small amount of money for a consultant contract to help us out on some of that.

Mr. YATES. I think I remember asking these questions of Mr. Boldt about why don't you use IBM.

I said, how many big computer companies are there in the country? They are all struggling for work at the present time, and you give the contract to Royalty Management to tell you whether you should redesign.

Have you asked IBM? Have you asked Hewlett-Packard?

Mr. BETTENBERG. Those are not the companies you would ask those questions of, but there are companies you do ask those questions of.

Mr. YATES. Here we are. I remember old John Garner. Do you remember John Garner? He used to make the speeches and then he would take his speeches out of the record because he would say, I don't want to have anybody read what I said at one time.

But here you are in print, Mr. Bettenberg, last year's hearings part eight. You said at that time you were consulting Mitre.

Mr. BETTENBERG. We had Mitre on as a consultant.

Mr. YATES. What happened to your contract with Mitre?

Mr. BETTENBERG. We took their advice.

Mr. YATES. And what? Decided not to go further?

Mr. BETTENBERG. And decided to make the conversion. It was their advice and a lot of others' advice. You recall this system was designed by contractors who were specialists in design, a whole group of them.

Mr. YATES. Then I said, "Are you consulting anybody else but Mitre on this thing?"

And Mr. Bettenberg said, "No other company."

And Mr. Yates, in disappointed tones, I guess, said, "No other companies?"

And Mr. Bettenberg said, "We have worked with our current equipment supplier continuously through the last several years."

And Mr. Yates said, "Who is that?"

"Mr. Bettenberg: Digital Equipment.

"Mr. YATES. Digital Equipment?" I seem to be repetitive.

"Mr. BETTENBERG. Yes. Second largest computer manufacturer, I believe."

Mr. Boldt says, "Yes."

"Mr. YATES. What do they tell you?

"Mr. BOLDT. Digital is the largest manufacturer of mini-computers. Obviously, they will tell us the system will operate on mini-computers.

"Mr. YATES. Will Digital tell you it will operate on mini-computers when it won't operate on mini-computers?

"Mr. BOLDT. Digital did not compete on this current procurement."

Mr. BETTENBERG. His more proper answer saying it probably did.

Mr. YATES. "Mr. Boldt: They have a new computer coming out on the market which they think will do the job.

"Mr. YATES. Why didn't they compete? How did they reply to that question when you asked them?

"Mr. BETTENBERG. We required in our RFP the equipment be in the market and already tested.

"Mr. YATES. I see." A profound statement.

"Mr. BOLDT. One interesting thing about the RFP is that we did not specify in the RFP a specific kind of hardware response. All of the bidders that responded, responded with a mainframe proposal."

Well, that is good, because you need a large computer, don't you?

"Mr. YATES. Could they have recommended a mini-computer?

"Mr. BOLDT. They could have, a cluster of mini-computers or anything of that nature." I don't know whether this is pertinent, but the point I am trying to make is the same point I made last year. Why are you listening only to Royalty Management when you have all of America and all of America's computers out there to get advice from?

Mr. BETTENBERG. We probably will seek a lot of advice at some point. The first question is——

Mr. YATES. Isn't this the critical period?

Mr. BETTENBERG. No, not at all. The first question to ask——

Mr. YATES. Last year was the critical period.

Mr. BETTENBERG. Last year was the critical period for conversion. The real question is whether the current system is adequate or with the enhancements can it be made adequate.

If it cannot, then what sort of system do we need to go to, and what will it cost, and what will it benefit us?

Mr. YATES. Right. You are asking Royalty Management that question?

Mr. BETTENBERG. They are the only ones currently studying that.

Mr. YATES. That is the point. Why don't you have others study it, as well?

Mr. BETTENBERG. Well, I think it is premature to get too deeply into that until we find out how the system works.

We won't know that until we are converted and start making some of the enhancements.

Mr. YATES. But IBM is going to be the basis for the system, isn't it?

Mr. BETTENBERG. That is just the hardware. It is a match.

Mr. YATES. You may also come to them. Why can't you ask them about how the system works, too, in relation to——

Mr. BETTENBERG. You wouldn't go to IBM for that. You would go to a systems design company for that, probably one of the big eight, Arthur Anderson, Price Waterhouse, a lot of companies like that.

Mr. YATES. I am told by staff that in 1980, Arthur Anderson told them to use the mini-computer.

Mr. BETTENBERG. No.

Mr. YATES. Or did they tell you to use a mainframe?

Mr. BETTENBERG. They told us to use a mainframe.

Mr. YATES. Then you want to go back to them because they were right, weren't they?

Mr. BETTENBERG. We might want to go back to one of those. At such point we go to redesign we would hire somebody like that to do that.

Mr. YATES. Okay.

I have a feeling we are going around in circles at the moment.

That being true, I think we ought to end the hearing at this point. We will have lots of questions and if, by some chance, we decide that perhaps we ought to have another hearing, we will so advise you.

My feeling is one of frustration. Do you have a feeling of frustration at all in this?

Mr. BETTENBERG. I don't. What can I say? I am frustrated that we are not doing as good a job as we could.

Mr. YATES. So am I.

Mr. Bettenberg. I am relatively satisfied that we are doing those things that——

Mr. Yates. I should ask you about your budget. We haven't even talked about budget today, have we?

Mr. Bettenberg. We really haven't.

Mr. Yates. There are so many other problems, but should I ask, is your budget adequate for your purposes, as if I didn't know what your answer was going to be with OMB in the room.

Mr. Bettenberg. I doubt if OMB is here.

Mr. Yates. Its presence is in the room.

Mr. Bettenberg. Its presence is everywhere.

Mr. Yates. Yes. Its omnipresence.

Does Mr. Detlefs have enough men in his operation?

Mr. Bettenberg. Why don't you ask Mr. Detlefs how many people he would like to have?

Mr. Yates. Is he an empire builder? You have got 200 men and women, haven't you. Is that enough to do the job or are you still falling behind?

Mr. Detlefs. We are in the process. As far as lines to get through the system and process, we have been catching up.

We used to have a large backlog, and we have been eating away at that to the point now we have very few lines in suspensions.

We have made big progress in the last year or two.

Mr. Yates. Do you have any inspectors out in the field? Do you have enough auditors? Who is in charge of your auditors?

Mr. Bettenberg. Ken Moyers is in charge of that.

Mr. Yates. Do you have enough auditors, Mr. Moyers?

Mr. Moyers. Reasonably close, we think.

Mr. Yates. How many audits do you have pending? How many audits do you have to make?

Mr. Moyers. We will have maybe 400 or 500 on-going at one time.

Mr. Yates. How many auditors do you have to do the auditing?

Mr. Moyers. About 150.

Mr. Yates. That is four audits per——

Mr. Bettenberg. That is total staff.

We also have state and tribal auditors working for us.

Mr. Yates. Do you have enough for that?

Well, I am trying to get you through. I am trying to give you enough money so you can get on top of this.

Mr. Bettenberg. This is the first year I can recall we have not been up here for extra money, for additional money.

Basically, the department, OMB and this committee and the Senate have given us what we have requested. At this point, we are there.

Mr. Yates. You are where?

Mr. Bettenberg. We have the resources to do the job from a budgetary standpoint.

Mr. Yates. I am going to review this record. I have a hunch there is a lot of "double-talk" here.

Mr. Bettenberg. No.

Mr. Yates. You better review it, too. We will both review it.

At any rate, we have questions for you. We may call you back. It has been a long, tough day, and I think you need a respite, and I think I need a respite.

Thank you very much.

[Questions and answers submitted for the record follow:]

ADDITIONAL COMMITTEE QUESTIONS SUBMITTED FOR THE RECORD

Field Administrative Service Centers

Question: What is the staff size of the Field Administrative Service Centers discussed on page 102 of the Justification?

Answer: The staff size of each Field Administrative Service Center in FY 1986 is:

	FY 1986	
	FTP	OTP
Alaska	18	2
Central	28	1
Southern	25	4
Total	71	7

Office Consolidation

Question: In FY 1987, MMS proposes to consolidate its offices in Virginia into one location to facilitate management and operations. How many offices will be consolidated?

Answer: MMS is currently located in four separate Virginia locations: Reston, Herndon, Dulles Airport, and Tysons Corner. The MMS proposes to consolidate these locations into one facility.

Question: What is the anticipated cost savings in this consolidation?

Answer: The estimated annual savings after consolidation are $228,000. This is the result of the following:

Costs associated with local travel by POV and shuttle--including lost productivity time................	$121,000
Expenses for Government vehicles that will no longer be necessary--(2 vehicles and leased parking space)......................................	15,000
Mail service contract for mail delivery between the five MMS locations.................................	46,000
Termination of reimbursable agreement with USGS (library, shipping and receiving, and mail operations....	46,000
Total..................................	$228,000

Question: How will this consolidation affect future rental costs?

Answer: The first year of occupancy (FY 1988) in the new office location will result in more rental cost than the space currently occupied. However, the lease on the new office location should remain firm for a 5 year period, except for Consumer Price Index increases allowed the lessor.

Question: Where will this new office be located?

Answer: The MMS has proposed, in its request to the General Services Administration (GSA), that the office be located in the Northern Virginia area, including Reston and Herndon, VA. A survey indicated that about 80 percent of the employees live in this area; and therefore, consolidation in this area would be more cost effective considering the costs of relocating employees and the expected loss of employees which would adversely affect the operating programs. A specific office location has not been selected, but the GSA and the MMS are currently coordinating the preparation of the solicitation for offers.

Question: What is the need for the "shuttle service" outlined on page 108?

Answer: "Shuttle Service" will be required to transport personnel between the new office location and downtown Washington, D.C., for meetings with Departmental and Bureau officials. This is more cost effective than paying employees for mileage in the use of their private automobiles.

Coordination of Resource Estimates with the U.S. Geological Survey

Question: In FY 1986, the Committee directed MMS to work with the Geological Survey in estimating offshore oil and gas resources. How has MMS followed this directive?

Answer: Several informal meetings of senior staff members of MMS and the U.S. Geological Survey (USGS) produced a charter for an interagency committee to coordinate activities of the two agencies. The charter was signed by the Director, MMS, and the Director, USGS, on March 14, 1986. Subsequently, the coordinating committee, comprising the Directors and senior staffs of each agency, met on March 28, 1986, to address several coordination opportunities. Plans for the national oil and gas resource assessment being jointly conducted by the agencies to develop revised oil and gas resource estimates for the entire United States (including the offshore areas) was one of the discussion topics. Followup meetings among senior staff members of the agencies have resulted in the identification of key events and the development of a schedule for completion of the project as well as identification of the roles of the agencies in support of the national assessment. Several interagency meetings of the technical staff members are being arranged to resolve technical issues. Additionally, meetings of regional MMS and USGS geoscientists are being scheduled for identification and review of geologic information pertinent to the determination of resource estimates for the offshore, nearshore, and onshore areas of the United States.

Reimbursement to Industry for G&G Data Processing Costs

Question: In FY 1986, language was proposed by the Administration which stated that the Secretary would no longer reimburse industry for the cost of processing geological and geophysical data. What has the Solicitor ruled on the language the Administration proposed in FY 1986?

Answer: The Solicitor advised on March 3, 1986, that MMS may not reimburse permittees for normal data processing costs as of October 1, 1985.

Question: Why then hasn't MMS formally advised the Committee about this problem and proposed alternative language in FY 1987?

Answer: MMS advised the Committee staff informally about the problem. Formal advisement of the problem was not possible as the appropriate means of correcting the language was not resolved until well after the Committee had finished acting on the Bill. The Solicitor was requested to provide proposed language to amend Public Law 99-190 to correct the omission of the wording to provide authority for MMS to reimburse for processing costs on data submitted under permits prior to FY 1986. We are advised by the Solicitor that the following language would permit MMS to reimburse for normal processing costs for data from pre-FY 1986 permits, as intended by Congress: Payment for processing costs of data and information acquired by the Secretary on or after October 1, 1985, shall be limited to permittees with permits on or before September 30, 1985.

Question: Based on the Solicitor's opinion, how must the figures for FY 1986 and FY 1987 on page 42 of the Justification be amended.

Answer: The figures do not need to be amended--only the language.

Resource Evaluation Program Budget

Question: In discussing the FY 1987 estimate of $23,549,000 for the Resource Evaluation Program, the Justification provides a number of pieces of that budget. However, those pieces only add up to $19,590,000. Provide the Committee with the missing pieces and the rationale behind requesting them.

Answer: The correct FY 1987 budget estimate for the Resource Evaluation Program is $23,459,000. The Justification specifies numerous estimates totaling $19,590,000. Estimates for the remaining $3,869,000 are as follows:

1.	Cooperative Agreement, Texas Bureau of Economic Geology - a cooperative effort between Geological Surveys of coastal States and MMS. Multidiscipline scientific activities are conducted by the Surveys for MMS addressing geologic studies related to strategic and international minerals and hydrocarbon resources.	$605,000
2.	Strategic and International Minerals/EEZ - an effort directed to studies of nonenergy mineral resources such as polymetallic sulfides, carbonate sands, phosphates, and Pacific Ocean cobalt crusts to determine whether future lease sales of these resources are indicated.	$1,400,000
3.	Executive Direction/Program Support - decisionmaking, guidance and support for the Resource Evaluation Program.	$1,865,000

Effect of Oil Price Decline

Question: What does the decline in the price of oil do to the offshore leasing program in respect to the need for the acquisition of G&G data, the industry interest in the offshore leasing program and the impact on the bonuses, rents, and royalties that the Government will collect in FY 1986, FY 1987, and beyond?

Answer: The decline in the price of oil will not have any immediate effect on the need for the acquisition of G&G data, as the majority of the data being acquired are for lease sales 2 or more years in the future and for regional geologic framework studies. In addition, some postsale G&G data are usually acquired to make phase 2 evaluations. Assuming MMS can build a sufficiently comprehensive inventory of G&G data, the requirement for postsale phase 2 data acquisitions would decrease. Approximately 90 percent of the data acquired in any given year are from permits issued 1 to 4 years earlier. If the price of oil remains depressed, industry interest in financing additional offshore data collection will diminish resulting in less data available for MMS to acquire.

The steep decline in the price of oil during the past few months, compiled with continuing uncertainty and volatility of the price has resulted in the oil industry's reassessment of their budgets and plans for exploration and development, both onshore and offshore. Due to lack of industry interest and our analysis of falling oil prices, a sale has been recently cancelled in the Norton Basin and four other sales are being reviewed.

The sensitivity of price changes is being taken into account in our development of a leasing program for the period 1987 to 1992. Estimates of leasable resources (resources worth bidding on) are being made for a wide range of potential oil prices.

Although the estimates of leasable resources are an important indicator of economic potential of OCS oil and gas resources for a given scenario, it must be remembered that we need to maintain flexibility to react to changing market conditions in planning lease sales for the next 5-year period. This flexibility would be severely reduced by concentrating only on the situation exisitng in today's markets in our planning for leasing in the 1987 to 1992 period and the associated exploration and production for the ensuing 30 years. We have been able to react to changing market conditions by cancelling or delaying sales. However, sales cannot be added to a schedule once the final program is approved without redoing the 5-year program development steps. For this reason, we need to recognize the range of estimates at different price levels for OCS oil and gas resources and their uncertainty in order to assure flexibility in reacting to changing market conditions in the future.

Within the $15 to $30 per barrel starting oil prices, the Gulf of Mexico and California planning areas are estimated to contain substantial amounts of leasable resources (resources worth bidding on).

At the lower end of the range, $15 per barrel of oil, the high-cost, high-risk areas offshore Alaska, with the exception of the Beaufort and Navarin planning areas, no longer are estimated to contain leasable resources. In addition to the Gulf of Mexico and California planning areas, the Atlantic planning areas and the Washington/Oregon planning area are estimated to contain some resources worth leasing at this price level.

Estimates of the effect of declining oil prices on Government receipts (bonuses, rentals, and royalties) indicate that at $15 per barrel of oil, bonus estimates are expected to decline 50 percent in FY 1986; this assumes leasable resources in the Gulf of Mexico, offshore California, the Atlantic and in the Beaufort and Navarin planning areas. [All other Alaskan OCS planning areas would not appear to be worth leasing at this price level]. Assuming annual OCS production of 375 million barrels of oil and 3.8 trillion cubic feet of gas, at $15 per barrel for oil and $2.10 per thousand cubic feet for gas, royalties to the U.S. Treasury in FY 1986 would decline to $2,269 million (40 percent of the original estimate of $3,614 million). Assuming a continuation of current market conditions, royalties in 1987 and beyond could be expected to continue at a $2.3 billion to $2.4 billion range through 1990.

Question: Discuss the economics of drilling in deep water in areas of the Gulf of Mexico.

Answer: Exploration drilling, delineation well drilling, and production platforms are all increasingly expensive with water depth in the planning areas of the Gulf of Mexico. Exploration and delineation well costs increase approximately 10 percent with every 500 feet increase in water depth. For example, a 10,000 foot well in 500 feet of water is estimated to cost $4,450,000; to drill the same depth well in 1,000, 2,000, and 3,000 feet of water will cost $4,900,000, $5,900,000, and $7,200,000, respectively.

Production platform costs are even more sensitive to water depth. For example, a 36-slot platform costs $42,000,000 in 600 feet of water, $118,000,000 in 1,000 feet of water, and $480,000,000 in 3,000 feet of water. The cost of drilling the production wells from these platforms is not sensitive to water depth.

In view of the significant increases cited for operating in the deepwater areas of the Gulf of Mexico, the prospects discovered, developed, and produced in these areas would necessarily need to exceed the size of prospects necessary for commercial success in the shallow water portions of the Gulf of Mexico. Since the deepwater areas have little past exploration in comparison with the shallow water areas of the Gulf of Mexico, the likelihood of finding such larger structures is greater than the prospects for the previously explored shallow water areas. At last count (April 25, 1986), 16 wells were being drilled in deeper water (over 600 feet of water).

Interest on Refunds

Question: On page 136 of the Justification is a section on proposed legislation regarding payment of interest foregone to royalty payors who successfully appeal royalty payment orders and are refunded. It is now April 15, 1986. When can Congress anticipate this legislation?

Answer: Currently, the Department and the Office of Management and Budget (OMB) are reviewing the proposed legislation that would authorize and appropriate funds for the payment of interest to royalty payors who are due refunds after a successful appeal of a royalty payment order. The legislation will be transmitted to Congress as soon as it is cleared by OMB.

Question: Have any instances arisen in which MMS has had to refund money to operators?

Answer: MMS has refunded money to operators in two instances.

Question: If so, what has MMS done to date in respect to paying interest on the amount refunded?

Answer: MMS did not pay interest to the companies since it does not have authority to do so.

Question: Why is it felt that this legislation is timely?

Answer: The Department views this issue as a matter of equity and believes that paying appropriate interest on the amount refunded for the period of time during which the disputed amount has been in the hands of the Government would reflect greater fairness and better practice toward the royalty payors. The interest rate to be provided is one which corresponds closely to the time value of the funds, and is not a punitive interest rate.

Moreover, the Interior Board of Land Appeals has ruled that MMS must grant bonds when requested on all appeal cases, so that when the company comes in for an appeal and requests a bond, MMS must grant them a bond to cover the amount, instead of paying. Previously, MMS had required payment pending appeals in order to encourage compliance and to distribute payments to Indians and the States. IBLA ruled that the regulation at 30 CFR 243.2 provides that decisions regarding payment of additional royalties are not suspended by the filing of an appeal therefrom, but authorizes the Director, Minerals Management Service, to stay the decision upon a finding that a suspension will not be detrimental to the lessor and upon submission of a bond deemed adequate to indemnify the lessor from loss or damage. Concerns have developed that this action will encourage companies to appeal. MMS could potentially end up in a situation where the mine safety business was 10 to 15 years ago, or where the Office of Surface Mining was in 1979-1980 in which everything gets appealed.

Environmental Studies Program

Question: Discuss the impacts of the Gramm-Rudman-Hollings reductions on the environmental studies effort in FY 1986. How will this impact the information needed for future lease sales?

Answer: The Gramm-Rudman-Hollings reductions in the Environmental Studies Program's (ESP) FY 1986 budget amounted to approximately $1.6 million. Three studies were cancelled, several others were reduced in scope, and others were extended over several fiscal years to maintain them at the necessary level.

Most information requirements will be met, although extension of schedules will result in the availability of information later in the decisionmaking process for some lease sales. More than $400 million worth of environmental studies have been conducted since the inception of the ESP in 1973. Therefore, a large data base exists and any new information needs should be able to be accommodated by the available funds.

Question: What commitment has Secretary Hodel made to an environmental studies program?

Answer: Secretary Hodel is committed to the continuation of an Environmental Studies Program which supports the activities resulting from the 5-Year OCS Oil and Gas Leasing Program and the requirements of the OCS Lands Acts, as amended. The FY 1987 budget, although reduced from previous years will allow the collection of needed information.

Question: How will this studies program relate to the proposed 5-year plan?

Answer: As part of the planning process for the proposed 5-year leasing program, the MMS has initiated efforts to develop a 5-year management plan for the ESP. This studies plan will be responsive to the priorities for leasing expressed in the proposed leasing program by identifying the environmental issues related to that program and the existing environmental data available through the ESP and in the open scientific literature relative to the issues. If significant gaps in data exist relative to the identified issues, then studies to close these gaps will be considered as environmental information goals and will be funded on a priority basis relative to the sales on the proposed 5-year leasing schedule. The studies plan will ensure that results from these studies will be available in time for leasing decisions.

Question: How does the FY 1987 budget support the environmental studies program the Secretary has committed to if you are requesting a reduction in the funding level?

Answer: Specific reductions are manageable because continued high cost studies in areas lacking leasing activity cannot be justified. Also, after several years of data collection and analysis, some program elements such as areawide reconnaissance, physical oceanography, bathymetric mapping, and marine mammal surveys can logically be reduced in scope.

Question: How does MMS propose to "continue to improve the knowledge base for possible oil and gas and strategic and critical mineral leasing through environmental and other studies," as stated on page 21 of your Justification, if you are proposing a reduction of $4,237,000 in FY 1987 for environmental studies.

Answer: Each study "improves the knowledge base." A further $23 million is proposed for additional work in FY 1987 which will add a further increment to an already massive data base. A significant portion ($1.5 million) of the proposed reduction in FY 1987 results from there being a one-time increase in the FY 1986 base of that amount for the South Central Coast Cooperative Aerometric Monitoring Program (SCCCAMP). The remaining reduction can be accommodated for several reasons. Approximately $400 million has been expended by the ESP since its inception in 1973. Several multi-year, multi-million dollar studies have been completed or are nearing completion in such topics as physical oceanograhy, deepwater biological reconnaissance, baseline studies, and special habitat monitoring (Georges Bank, Flower Gardens). These studies have logical end-points and do not need to continue indefinitely. Future program initiatives will minimize expensive field programs and encourage the synthesis and integration of data and information from completed studies into different formats depending on decisionmaking needs.

Question: What is the rationale behind reducing effort in the areas of marine mammals/endangered species? Are these areas not the areas used in litigating OCS lease sales because of lack of information and adequate study?

Answer: Funding has been reduced in the marine mammal/endangered species component of the ESP based in part on the reduction of efforts in low industry interest areas. Additionally, whale monitoring studies are being reduced in cost and scope because of the accumulation of a significant data base and evolving monitoring techniques. In some cases, the same type of data has been collected for 5 to 7 years through monitoring. There is no apparent reason why another year's data would change the situation. Thus, the MMS has been reorienting the focus of marine mammal/endangered species research to address additional issues.

The MMS cannot control what areas are raised in litigation on OCS lease sales. The MMS tries to minimize litigation by fulfilling its responsibilities under all applicable statutes. Before holding a lease sale and at other relevant stages of the OCS development process, MMS consults with the National Marine Fisheries Service and the Fish and Wildlife Service under Section 7 of the Endangered Species Act. The location and terms and conditions of any proposed sale are developed to ensure compliance with the Biological Opinions. If new areas for marine mammal/endangered species study are raised through Biological Opinions or through an ongoing MMS-funded study, these areas will be addressed in future environmental studies.

Question: What is the rationale behind reducing effort in the area of air quality? Is this area not an area used in litigating OCS lease sales because of lack of information and adequate study?

Answer: In FY 1986, there was a large one-time budget allocation for California air quality (SCCCAMP) of $1.5 million. The scheduled contractural effort was completely funded. The MMS budgeted $220,000 in FY 1987 to initiate SCCCAMP photochemical model evaluation, and sees no need for additional funds. Air quality litigation has centered more on the proper regulatory program for OCS facilities and the level of impacts predicted for future development projects than on the lack of information available with regard to air quality. California has litigated the 1980 operating rules pertaining to air quality rather than litigating each sale on this issue.

Question: What is the rationale behind reducing the study effort in the additional categories outlined on page 34 of the Justification.

Answer: Bathymetric maps have been prepared for most planning areas where industry interest exists. In reducing the planned budget for this component, bathymetric maps will continue to be prepared and/or updated for high interest lease areas, but development of maps for low interest areas will be deferred. In past years, the chemical quality assurance program included intercalibration activities with participating laboratories and method development. In FY 1987, the intercalibration activity will be continued but the method development effort will be conducted at a reduced level. Prelease studies such as areawide reconnaissance surveys have been conducted in most planning areas. The need for such studies is derived from the 5-year leasing schedule and is reduced based on the limited plans for new planning areas. Funding reductions in the area of program support will result in less support or elimination of support for interagency and academic/scientific workshops and information transfer meetings. Results from the ESP will continue to be made available through publication of reports. Funds for Scientific Committee meetings can be reduced because fewer subcommittee meetings will be necessary due to a recent restructuring of the subcommittees. The reduction in socioeconomic studies is largely based on the revision of a Government cost estimate for a 2-year study begun in FY 1986. The effort will be completed on schedule with no loss of information.

Question: In FY 1986, the Committee added an additional $1,280,000 resulting in a total of $1,500,000 for the South Central Coast Cooperative Aerometric Monitoring Program (SCCCAMP). How were these funds expended?

Answer: Two SCCCAMP studies are scheduled to be awarded through the competitive procurement process by MMS in FY 1986. On March 26, 1986, a Request for Proposal (RFP) was issued for "Production of a Data Archive for SCCCAMP." Proposals in response to this RFP are due to the MMS on May 9, 1986. A second RFP will be issued in May or June 1986 for "SCCCAMP Data Analysis."

Question: What resources are necessary for the post-SCCCAMP photochemical model evaluation which will be conducted in FY 1987?

Answer: The estimated cost for the SCCCAMP photochemical model evaluation is $600,000. The MMS National Studies List for FY 1987 includes this as the No. 1 priority at a funding level of $220,000. Incremental funding of approximately $380,000 will be required in FY 1988. Most of the model evaluation work will be conducted in FY 1988 after completion of the data archiving and data analysis tasks.

New 5-Year Proposed Oil and Gas Leasing Program

Question: On February 6, 1986, MMS held a briefing on the new 5-year proposed oil and gas leasing program. In this announcement, there was a discussion of the exclusion of 15 subareas from the Department's proposed leasing program. How were these areas selected?

Answer: Prior to this, no OCS leasing program developed under section 18 deferred portions of planning areas ("subareas") as part of the 5-year program development process. However, numerous comments requesting such deferrals in the new program were made by a variety of parties.

The fundamental approaches to the resolution of conflicts over which areas should be offered for lease have been and will continue to be the processes specified in section 19 of the OCS Lands Act and the National Environmental Policy Act. These processes provide for detailed analysis and consultation undertaken in the presale process for individual sales. This is clearly the intent of the OCS Lands Act. Nevertheless, as a conciliatory measure in the consultation process prescribed by section 18 of the OCS Lands Act, the Secretary determined that a departure from the practices of the past was warranted in a number of locations.

Question: Were environmental considerations or hydrocarbon potential the main determinant in exclusion of these areas?

Answer: The Secretary determined that the characteristics of the subareas required the exercise of judgment on a case-by-case basis rather than the application of an abstract formula. In making his decision, the MMS reviewed the key characteristics of over 100 subareas--all of those requested by commenters for deferral from leasing and a number of multiple-use areas identified by MMS: the disposition of the subarea in past OCS lease sales; oil and gas resource potential; description of the environment; and description of the potential impacts avoided by the deferral of leasing. Many of the areas excluded have hydrocarbon potential.

Question: In the North Atlantic, you are considering for deletion a 15-mile buffer zone. Why are you not also considering areas that are and have been excluded by the moratoria?

Answer: The moratorium areas in the North Atlantic comprise portions of Georges Bank and specified canyonhead areas. The decision not to make a 5-year program subarea deferral on Georges Bank was discussed in the Secretary's February 4, 1986, letter to Governor Dukakis of Massachusetts, as follows:

> The results to date of the Georges Bank monitoring program show no significant adverse effects to biological resources attributable to oil and gas activities. In light of this information, and given the equitable sharing requirements of the OCS Lands Act, current industry interest, and the results of the analysis in the Secretarial Issue Document (SID), I believe it is appropriate to retain Georges Bank in the 5-year program. Any remaining conflicts can be addressed during the presale process.

The Secretary's February 4, 1986, letter to Govenor Kean of New Jersey likewise explained that "...canyon systems and fishing grounds are subareas where conflicts can be resolved during the presale process."

Question: What information will persuade MMS to delete additional areas from the 5-year plan?

Answer: The decision to defer leasing in 15 subareas grew out of the results of the consultation process for developing the 5-year program set forth by section 18 of the Outer Continental Shelf Lands Act. There is no simple formula for reaching such a decision. Decisions on subarea deferrals must be approached on a case-by-case basis and must reflect the results of the consultation process. Public comments have been requested on an additional 13 subareas and the analysis and review of those comments will determine whether additional subareas are to be deferred.

Question: What are the Department's plans for addressing additional areas of concern which the States put forward?

Answer: Comments on the proposed program are due on May 8, 1986. Based on a review of those comments, any subarea newly requested for deferral will be added to the subarea analysis for the Proposed Final Program. The Secretary's decision on the Proposed Final Program--planned for transmittal to Congress in early 1987--will be accompanied by a response to State comments.

Question: How is the Department working with the States to avoid conflicts over areas proposed for leasing?

Answer: The Department's basic approach to avoiding conflicts with States is to comply with all consultation requirements of the OCS Lands Act, the National Environmental Policy Act, and other applicable statutes and regulations. In implementing the OCS leasing program, the Department uses the approach of focusing on promising acreage, which emphasizes the early resolution of disputes. The Department also participated in the negotiations which contributed to settling the dispute over section 8(g) funds. The Department is also engaged in other negotiations with members of Congress concerning California. In addition, numerous contacts with other congressional delegations are pursued by the Department. Furthermore, the Department is participating in new means of settling disputes, such as the negotiated rulemaking regarding air quality offshore California and the Office of Technology Assessment's efforts to examine and improve OCS consultation.

Question: Is the Department considering any areas for permanent deletion from the OCS leasing program?

Answer: The only "permanent" mechanism for deleting an area from leasing is legislation which makes a moratorium permanent. Interior is opposed to moratoria on OCS leasing because they are inflexible and unnecessary to protect the environment. The same objections would apply to any legislation with a permanent time horizon.

Question: In designing the new 5-year program, what thought has been given to an approach that narrows the Call to more tract-specific areas rather than opening up the whole planning area during the Call for Information? Realizing that you have a "focusing approach," has thought been given to being more specific?

Answer: Several approaches are being considered. The February 7, 1986, Federal Register Notice announcing the Proposed Program asks for comments as to information from industry on areas of interest. It also asks for comments to determine if, on a sale-by-sale basis, a decision should be made on whether to publish a Notice in the Federal Register announcing the availability of the MMS proposed Call area for industry review and comment.

In addition, after extensive consultation and assessment of interest leading up to the Call for Sale 91, Northern California, the Department reduced the area under consideration by 96 percent to only 229 tracts. Thus, depending on the specifics involved, this focusing can occur at the Call step.

Question: What rationale is there behind having "accelerated" sales?

Answer: The provision to allow acceleration of sales is intended to give the 5-year program flexibility to be able to adjust to major unforeseen exploration results and economic developments. It is very possible that during the 5 years this program is in effect frontier exploration results and/or changes in the world energy market could dramatically increase the demand for offshore leases. Accelerating the pace of leasing in particular planning areas in accordance with carefully defined criteria would enable us to meet such increased demand in a timely and responsible manner.

The acceleration provision is proposed to be included explicitly in the 5-year program so that in light of section 18 of the OCS Lands Act its exercise would be part of implementation of the approved program rather than a significant revision of the program which the statute requires be subjected to a lengthly (approximately 2 years) development and review process.

Question: Will the 2-year prelease process be shortened in any way?

Answer: The approximately 2-year prelease process would not be shortened for accelerated sales. The full consultation and coordination process would be followed. Furthermore, the decision whether to accelerate a sale would be made only after close consultation with affected States and consideration of national energy needs and environmental factors.

Question: Is the Department planning to limit in any way the number of lease sales in the new 5-year plan to assure a fair return to the Government on the sale of these leases?

Answer: The Department currently has no plans to limit the number of lease sales in the next 5-year program on that basis. The Proposed 5-Year OCS Oil and Gas Leasing Program for 1987-1991, published on February 6, 1986, has proposed 27 standard sales, including 10 annual sales in the Central and Western Gulf of Mexico. The proposed program also has three flexibility provisions to satisfy the statutory requirement to meet national energy needs in the foreseeable, but uncertain, future covered by the plan. The flexibility provisions include 10 frontier exploration sales where industry interest will be assessed early in the leasing process, 5 small supplemental sales to offer a limited number of promising tracts, and a provision to possibly accelerate leasing in eight areas of higher value and/or higher interest if new discoveries are made or if economic conditions change markedly.

The proposed program maintains both current procedures for assuring the receipt of fair market value and the current flexible policy for reconsidering the basic approach of $150/acre as the minimum bid on a sale-by-sale basis.

Question: When does MMS anticipate possible future sales for critical and strategic minerals being conducted?

Answer: A sale of leases for cobalt-rich manganese crust mining in the Hawaii and Johnston Island EEZ is proposed for 1987 or as soon thereafter as appropriate regulations are in place and the jurisdictional question relative to Johnston Island is resolved. The possibility of a lease sale for polymetallic sulfides on the Gorda Ridge is still undetermined, but appears unlikely. Sulfide minerals were recovered by the USGS last summer shortly after Oregon State University (OSU) scientists found evidence of probable occurrence of such minerals. A decision on whether to proceed with the sale planning is expected later this year after the results of this summer's joint Navy, USGS, NOAA, OSU, and MMS resource assessment surveys are available. The potential for phosphorite mining off the North Carolina coast is just being examined, and a sale, should one be deemed appropriate, is not expected until 1990.

Question: The Justification on page 28 states that the "need occasionally arises for special model runs to analyze issues raised after the completion of the Environmental Impact Studies." How much is included in the FY 1987 budget in the event that the need for such model runs arises?

Answer: The FY 1987 budget includes a computer budget of roughly $14,000 to support any special runs required as noted on page 28. In addition, this allocation supports special analyses for postlease development and production plans. An average of two such special analyses are performed each year.

Question: The major leasing and environmental activities on page 30 of the Justification do not conform with the February 1986 milestone chart released with the new 5-year plan in respect to activity outlined for FY 1986. Reconcile these differences for the committee.

Answer: The February 1986 proposed program milestone chart is not easily reconcilable with the Budget Justification activity table for several reasons. For one thing, the February 1986 milestone chart only shows 9 of the 12 months of FY 1986. Further, the milestone chart does not show 1986 prelease activities for the 1986 sales on the currently approved schedule; these activities are included in the totals shown in the activity table of the Budget Justification.

Question: The FY 1987 budget provides for a reduction in leasing and environmental assessment based on "decreased industry interest in certain areas and organization efficiencies being implemented during 1986" which will result in a reduced workload in FY 1987. Discuss this "reduced workload."

Answer: In preparing its Proposed 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program for January 1987 - December 1991, the Department polled U.S. oil and gas companies concerning their interest in exploring 26 OCS planning areas. Responses received in the spring of 1985 indicated that the North Atlantic, Mid-Atlantic, and South Atlantic planning areas ranked 14, 15, and 17, respectively, in terms of expressed industry interest. Disappointing drilling results on leases from past Atlantic OCS oil and gas lease sales is a primary cause of reduced industry interest. These results, coupled with the dramatic drop in oil prices and related cutbacks in industry exploration budgets, indicate that there will be little incentive for industry to participate in OCS sales related to these three planning areas in the near future. Consequently, there will be reduced workloads for MMS's Atlantic OCS Region. The organizational efficiencies referred to in the previous FY 1987 budget submittal are related to a transfer of functions and personnel from the MMS Atlantic OCS Region to other OCS Regions. Employees transferred from the Atlantic Region will be offered currently unfilled positions in other OCS regional offices. Through this consolidation and normal attrition, it is anticipated that within the MMS as a whole there will be a reduction of 8 FTE positions and a savings of $291,000.

OCS Information Dissemination

Question: On page 34 of the Justification it states that "savings will be realized through increased administrative efficiency with some reduced dissemination of information..." Discuss this statement.

Answer: The regional offices have been holding annual Information Transfer Meetings (ITMs) at which the results of ongoing and completed studies are presented. There could be some reduction in the dissemination of information through ITMs since the requirement for a Region to hold an ITM annually has been eliminated. Instead, the Regions have been directed to make an annual determination of the need for an ITM. This should be based on the Region's perceived information dissemination needs in relation to milestones for proposed sales on the leasing schedule and other types of meetings expected to be held that year.

Additionally, administrative efficiencies are being achieved as the Environmental Studies Program (ESP) begins to automate its procurement tracking activities. This will free staff time for other activities that support the ESP.

Offshore Inspection Program

Question: "How many inspectors does MMS have budgeted in FY 1987? How does this compare to the number of inspectors MMS had in FY 1985 and FY 1986?

Answer: For FY 1987, MMS has budgeted 87 inspector positions. This is the same number as FY 1985 and FY 1986. Some vacancies existed during this period but the goal is to fill all 87 positions during the remainder of FY 1986 and during FY 1987.

Question: "On page 58 of the Justification it states that full implementation of the offshore inspection program will be completed in FY 1986. Discuss this program and what it entails? Will full implementation of this program be completed in FY 1986 as projected?

Answer: The MMS has been inspecting operations on the Outer Continental Shelf (OCS) for many years. To strengthen the management controls over these inspections, the MMS began to implement the Offshore Inspection Program (OIP) in 1983. On March 18, 1983, the MMS issued a manual release titled "Offshore Inspection Program." The objective of the manual chapter is to establish an OIP as a management tool to ensure the implementation of a fair and consistent method for lessee compliance with MMS requirements. The manual chapter sets forth the MMS levels of responsibility for the OIP. Additionally, it sets forth eight areas of lessee compliance that are specifically addressed in the OIP Handbook. The Handbook was issued on July 17, 1984, and contains chapters on lessee compliance, internal review, and training. The Handbook requires that regional field office supplements be developed that further delegate program responsibilities and set forth procedures that detail the overall inspection activity and the internal review activity. Headquarters and all regional office supplements have been completed. The Handbook also requires the development of regional supervisor and district office instructions that will implement the procedures set forth in the supplement. These instructions are currently being developed and are expected to be completed during FY 1986. In September 1984, the MMS published a national Potential Incident of Noncompliance (PINC) list. The national PINC list establishes a common baseline nationwide for the inspection of lessee facilities. The Offshore Inspection System (OIS) is a computerized data base of all the MMS inspection data. The OIS will consist of four subsystems: drilling, production, pipelines, and meters. The drilling subsystem became fully operational in the regions on November 1, 1985. The production subsystem is scheduled to be completed by June 2, 1986, and fully operational by October 1, 1986, with the element becoming fully operational by December 1, 1986. The pipeline subsystem is expected to be completed by October 1, 1986. There is no target date for the meters subsystem since its development has been put on hold until the other three subsystems are operational.

Question: "Why does the table on page 59 of the Justification show that inspections will decrease in FY 1987?"

Answer: The table on page 59 of the Justification shows that inspections will increase by 158 inspections from the estimate of 15,142 in FY 1985 to the estimate of 15,300 in FY 1987. In FY 1985, there were 14,633 actual inspections performed.

Oil Spill Containment and Cleanup Technologies

Question: "What progress has been made in oil spill containment and cleanup technologies?"

Answer: Over the years, as the market for oil spill mitigation equipment expanded, and the Federal research and development and test programs progressed, various technologies have improved. For example, it is our opinion that good containment booms for offshore usage have been developed by Norway, Britain, and the United States. In other less controversial areas, the technology for the subsea recapture of oil, i.e., just above the wellhead (a method which was first applied, though unsuccessfully, at IXTOC 1, Campeche Bay, Mexico, in 1979), has now been established to include a large-scale demonstration. In addition, an engineering and cost analysis of the application of this concept (which appears to have ideal application to operations in rough waters and with difficult logistics) has been completed. This study uses a large tank ship to suspend the collector, and to store and separate the oil and water. Another engineering cost study has been completed which quantifies the use of a tanker for towing large oil spill booms on each side, storing the oil, etc. Burning oil on the surface of the sea has been demonstrated as an efficient method for certain fresh oils in broken ice conditions. Many other new concepts are being evaluated, for example, herding spilled oil and igniting it, collecting oil in broken ice fields, etc.

Question: On page 22 of the Justification it states that approximately $5.5 billion were received in FY 1985 in bonuses and rents for leases and royalties and that approximately $5.3 billion is estimated to be collected in FY 1987. What amount is anticipated in FY 1986?

Answer: While there has been no official update, the Department has reevaluated the estimates for FY 1986 and FY 1987. The amount anticipated in OCS bonuses, rents, and royalties for FY 1986 is $3.7 billion. This does not include 8(g) escrow payout of $2,950 million.

Question: Of these amounts, provide the committee information on the breakdown between onshore and offshore leases and what amount is bonuses, rents, and royalties.

Answer: Onshore rents, bonuses, and royalties are not included in the $5.0 billion. The amount anticipated in onshore rents, bonuses, and royalties is $981 million.

Below is a table which provides the breakdown:

($ millions)

	FY 1985	FY 1986	FY 1987
Onshore			
Rents and Bonuses	190	165	160
Royalties	910	816	806
TOTAL ONSHORE	1,100	981	966
Offshore			
Rents and Bonuses	1,953	684	663
Royalties	3,589	3,029	2,673
Subtotal	5,542	3,713	3,336
Escrow Payout	0	2,950	2,192
TOTAL OFFSHORE	5,542	6,663	5,528

Royalty Management Program's Computer Hardware

Question: To review the history of the royalty management system, MMS first began to process the royalty management information on the VAX system, a system of minicomputers. Before the VAX system was fully implemented, MMS was beginning to work on the project inception of System X. Despite this activity, during the FY 1984 hearing before the Subcommittee, MMS made no mention of any problems with the VAX system or that MMS was looking at a new system: "The AFS is in place now processing data on a daily basis...." Before MMS went to the VAX system, Arthur Anderson and Company planned for the AFS system to utilize one of the three in-house IBM 360 mainframe computers. MMS has now returned to the concept of using a mainframe instead of the VAX system. Why was this idea rejected back in 1980?

Answer: The plan by Arthur Anderson and Company did not contemplate using the U.S. Geological Survey's (USGS) in-house computers. The USGS prepared a preliminary systems design which was published on December 15, 1980. The overall systems flow in that document incorporated an IBM 370/165 mainframe. The design was predicated on the availability of computer facilities at American Management Systems (AMS) in Arlington, Virginia, and was recommended primarily because of its availability under contract. In the summer of 1981, the USGS acquired a VAX 11/780 minicomputer on which to operate the new computerized accounting systems. Two primary reasons were given by the USGS for this decision: (1) Departmental management decided that the Royalty Management Program (RMP) would have dedicated, not shared, computer hardware support, and (2) the long procurement leadtimes necessary to acquire a mainframe computer would have delayed conversion to the new accounting system by up to 2 years, an unacceptable delay considering the commitments made to Congress and the public.

We also want to point out that the Request for Proposal (RFP), issued in 1983, did not specify a mainframe computer, but instead requested a "total" solution to royalty management's capacity and processing problems. As it turns out, the winning bidder on the RFP elected a mainframe as the appropriate hardware for RMP's problems.

Question: What is the status of the original in-house computers? Why wasn't one of these computers utilized?

Answer: As indicated in the answer to the above question, we have no information that the design included the USGS mainframes, to which we presume the question refers.

Question: Why was it so important to move the computers and the program to Lakewood?

Answer: The then existing royalty accounting system and operations were geographically dispersed, being operated under oil and gas or mining supervisors at fourteen separate locations. These officers operated more or less autonomously with little central direction or control. Each office developed its own policy and requirements; consequently, the system lacked uniformity and was not easily controlled. Eleven of the fourteen sites served as "accounting" field offices, submitting summarized statistics to the central ADP processing site in the USGS headquarters in Reston, Virginia. The move to centralize the RMP was based on correction of the above deficiencies, plus a desire to locate a centralized operation geographically closer to the States, Indians, and industry.

Question: When the VAX system began to fail, (it failed its first test in January 1983) why didn't MMS scrap the VAX system and return to the recommendation put forward by Arthur Anderson?

Answer: In January 1983, the Department had in hand an automated royalty accounting application and systems software configuration (the Auditing and Financial System) designed for operation on Digital Equipment Corporation's VAX hardware, but not on a mainframe computer. In addition, MMS and industry had invested large amounts of resources to convert industry to the new Auditing and Financial System (AFS). In fact, 7,000 plus leases representing nearly 80 percent of royalties collected had been converted to the AFS.

Question: Returning to the fact that MMS was looking at a new system before the VAX system was fully implemented. Was the Director of MMS always fully apprised of the difficulties the VAX minicomputers were experiencing?

Answer: Yes.

Question: MMS then went through the process of preparing and releasing an RFP for the new system beginning in June 1983. Again, during the hearing before the Committee on the FY 1985 budget MMS did not outline any problems with the system. In addition, in an answer to a Question for the Record on the operational status of the AFS, the MMS responded: "The AFS is fully installed. Enhancements continue to be developed and installed--a normal process for a new system." In the FY 1986 hearing, the Committee discussed these concerns with Mr. Bettenberg who stated that: "My previous testimony was that I am concerned with where we are today given where we ought to be. I think we have got things in motion to get us to where we ought to be." Is that still true today?

Answer: We have continued to work toward improvements and solutions to problems as they are encountered. As a result, MMS requested and received additional funding for increased systems capacity requirements and a new computer hardware configuration in the FY 1985 Budget Justification and Budget Amendments for FY 1984 and 1986. Due to delays in the procurement process and the need to review the procurement decision, not all of the appropriated funds from these requests were applied to the new hardware and software reimplementation. MMS has attempted, however, and will continue to attempt through budget documents, hearing testimony, briefings, and answers to Questions for the Record, to keep the Committee apprised of the status of the RMP systems.

In the FY 1987 hearing before Chairman Yates, the Director testified that the RMP had made progress, but that there is progress still to be made. Further, he indicated that RMP still has problems but that MMS was dealing with them and that the program was improving substantially.

MITRE Contract

Question: MMS testified in FY 1986 that they were consulting MITRE Corporation on this problem. What is the status of the contract with MITRE?

Answer: MMS adopted MITRE's recommendation to proceed with System X. At present, MITRE is supporting the Departmental Mineral Lease Information Study (MLIS) Team in Lakewood, Colorado. Among other things, the MLIS team is studying the extension of the Production Accounting and Auditing System (PAAS) to onshore leases.

Question: Was the MITRE contract ended earlier than anticipated?

Answer: No, it was extended into FY 1986.

System X

Question: MMS awarded the System X contract to Martin Marietta in April 1985 (MMS-85) to install a new mainframe computer and reimplement the AFS application software on the new computer. Does MMS presently have any staff checking the accuracy of the information that is being put into the system? If not, why not?

Answer: Since the System X contract was let in April 1985, the MMS has devoted a team of 14 employees to oversee the contract efforts. Responsibilities include review of contractor deliverables for adherence to contractural standards. Before MMS formally accepts the reimplemented AFS, it will be thoroughly tested to ensure that results on the IBM mainframe duplicate the products and information currently produced in the VAX environment.

Explanation of Payment

Question: When will MMS comply with FOGRMA (30 USC 1715(a)) by providing to Bureau of Indian Affairs (BIA), Indian tribes, and allottees full explanation of the payments being made; i.e., source of payment, production amounts, royalty rate, unit value, etc.?

Answer: The MMS is largely in compliance with the mandated explanation of payments (EOP) requirements of the Federal Oil and Gas Royalty Management Act (FOGRMA). However, there are some improvements needed to make the reports more useful to States and Indians and to make the reports fully compliant with FOGRMA.

The MMS has provided EOP reports since October 1983 to Indian tribes and to BIA for their use in providing an EOP report to allottees. MMS consulted with Indian tribes and BIA before finalizing the format for these reports; however, as the tribes and BIA began using the reports, it became apparent that restructured and more detailed data was needed. In response to these needs, MMS approved system enhancements to be installed after AFS is fully operational on the IBM mainframe. In addition, MMS developed and has implemented the new State and Tribal Support System (STATSS) which allows Indian tribes and BIA full access to detailed payment information and other data base elements.

The MMS EOP reports currently include sales volume information, but do not contain production information. Production information is obtained through PAAS, which is now operational for offshore mineral leases. The Department is currently studying the feasibility and desirability of implementing PAAS for onshore Federal and Indian mineral leases. This study will be completed in the fall of 1986.

Question: What redesign will be necessary before MMS will be in compliance with FOGRMA? What will it cost?

Answer: The MMS does not foresee the need to redesign present systems to comply with FOGRMA. However, certain enhancements are planned to improve user efficiency, effectiveness, and information responsiveness.

Question: What has to be done before the summary data on the EOP will provide State auditors with information adequate for reconciliation of amounts paid the State with the EOP and the amount received by MMS?

Answer: While the EOP was never intended as an audit tool for State auditors, a modified version of the EOP will be provided to States and Tribes through the STATSS, which was developed in coordination with States and Indian Tribes, in April 1986. Key changes include addition of the document identification number, line level product detail, fund code and a transaction code for each line. These changes alone should provide sufficient information for reconciliation purposes. However, the STATSS EOP will also provide new totals in addition to those contained on the existing EOP such as sales month, document number, receipt date, and payor totals. When used in conjunction with the STATSS online and batch reconciliation reports, now under development and scheduled for implementation in June 1986, an auditor will be able to reconcile payor reports with disbursements made to States by examining account payable balances, rejected royalties, and disbursements as depicted and summarized by new STATSS reports. While we recognize that STATSS does not satisfy all State and Indian audit needs, it is part of a process to accommodate their information needs. Additional data will be provided through enhancements to AFS following its conversion to the new IBM mainframe.

Question: How will the manpower at Lakewood be shifted around when the AFS becomes operational on the IBM mainframe?

Answer: The MMS plans no significant reorganization, realignment or shifting of personnel as a result of conversion to the IBM mainframe.

Question: Where does data base cleanup fall in respect to MMS's priority system?

Answer: The Management Action Plan for the RMP, dated April 1985, specified data base cleanup as a high priority action element. Efforts to improve the data base began in January 1985, and are scheduled to be completed by September 30, 1986. Although the project is not yet completed, the percentage of rejected lines caused by data base errors has dropped from a high of 20.6 percent to under 4 percent.

State and Tribal Support System

Question: The Justification states that this month, States and Indian tribes are to have direct access to the system. How has this been accomplished with the 5 month slip in the operational date of the AFS system?

Answer: The STATSS data base is loaded on a monthly basis from the AFS data base residing on the VAX computers. STATSS does not rely on IBM-based data bases for operation. This design feature was incorporated because the PAAS and Bonus and Rental Accounting Support System (BRASS) data bases will continue to reside on VAX computers after AFS is fully reimplemented on the IBM mainframe computer.

Question: To what extent will direct access to the AFS system by States and Indian tribes relieve the problem of lack of information?

Answer: All AFS data requested by States and Tribes will be available on a monthly basis. This data will remain the same until the next month-end loading takes place. States and Tribes will, for the first time, have immediate on-line access to lease, payor, and transaction data for their respective site. In addition to "raw" data, a series of reports developed in response to their requirements will also be provided. These reports will provide lease histories, payment status, rejected royalties, etc., and should substantially relieve the problem of lack of information.

Question: Will the State and Tribal Support System merely make available the same "bad data" that is presently being used?

Answer: STATSS will provide online access to data currently in the AFS as of month-end processing. This data is of good quality.

Question: Has the data in the AFS system which is supposedly "error free" been reviewed by the staff at Lakewood? If not, why not? What assurance does MMS have that the data is good if it has never been verified?

Answer: The AFS system currently has 107 edits that each report line must clear before it is accepted into the system. MMS reviews and corrects each line that fails to clear the edits before it is accepted into the system. Additionally, all data is subject to audit by the Royalty Compliance Division.

Question: How does MMS identify its problems and prioritize them? How does MMS set its priorities out in Lakewood?

Answer: In April 1985, the Department published the Management Action Plan (MAP) for the RMP. This document details 42 action elements laying out high-level problems and priorities for the RMP. The MAP represents a thorough identification and comprehensive course of action to overcome RMP's high-level problems for at least a 2-year period. Day-to-day operational issues are raised to management and priorities are set in the course of bi-weekly meetings of the senior RMP staff in Lakewood. This dialogue is supplemented by numerous contacts with the Director's office and senior RMP managers in Lakewood. Computer systems problems are identified and prioritized by means of a formal change control board structure established within RMP. Participants include all senior RMP managers and computer systems experts within the program.

System X

Question: Provide for the Committee the identification of the problems with System X in priority order, what the cost of correcting these problems are in comparison to the anticipated cost recovery from these corrections, and what the timelines are for these corrections.

Answer: The System X effort currently includes installation of IBM 3081GX hardware and reimplementation of the AFS. The hardware and associated system software were installed and accepted on schedule with no problems. The principal problem with reimplementation of AFS is the time needed by the contractor to complete the effort. The contractor is currently scheduled to turn over the reimplemented system to MMS for acceptance testing on June 30, 1986, a delay of about 6 months from the original schedule. The delay in conversion of the AFS to the mainframe computer has a ripple effect on other improvements. Specifically, a substantial number of system improvements cannot be implemented until after the conversion. These include improvements in the areas of explanation of payments, exception processing reports, windfall profit tax calculation, and audit trails, including online access to the AFS.

Question: What long range planning is MMS doing to prepare for future systems needs and the implementation of the PAAS and Bonus and Rental Accounting Support System (BRASS) systems on the IBM mainframe?

Answer: The RMP published a Business Systems Plan (BSP) in October 1984. The plan outlined five major subsystems: Reference Data, Production (PAAS), Financial (AFS and BRASS), Management Control, and Management Information. RMP plans to extend this BSP approach to determine what software enhancements are needed for the MMS automated systems. An inhouse software improvements team will be used to identify needed system enhancements and to determine how well the enhanced systems are operating in the mainframe and minicomputer environments. With the help of a major accounting/auditing firm, this team will evaluate the progress made to date and decide if further changes, redesign, or no action are required with respect to RMP systems.

Question: When does MMS plan to inform the Committee about what its anticipated needs are?

Answer: We have and will continue to do so as new needs, if any, are identified.

Systems Enhancements

Question: The Justification on page 85 states that "it is estimated that over 300 enhancements to the AFS will be ready to be made when AFS becomes operational in the mainframe environment." Why are these enhancements needed?

Answer: Enhancements to the AFS are required for several reasons:

a. The AFS was developed and implemented in 1981-1982 under a very compressed schedule; consequently, it was infeasible to identify all system requirements of internal users and external constituents prior to implementation.

b. As any new system is used, requirements change because users identify functions that improve their efficiency and effectiveness in accomplishing their work, and constituents identify information they desire as well.

c. New regulatory requirements under FOGRMA were issued during the initial implementation resulting in necessary system changes.

d. By the time it is operational on the IBM mainframe, the AFS will have been "frozen" from software changes for nearly 2 years while the conversion was taking place.

As a result, the inventory of necessary changes has continued to grow. Although the initial estimate of 300 enhancements may be somewhat high, over 70 enhancements have been formalized and approved for implementation after AFS is operational on the new system, and more are routinely being identified, analyzed, and formalized.

Question: Will these enhancements be necessary just to make the system work?

Answer: No, the AFS is currently operational on the VAX computers. Following a straight software conversion to the IBM mainframe, the AFS will function the same as it does currently except that it will not be constrained by hardware capacity. The enhancements are necessary to improve user efficiency, effectiveness, and information responsiveness and to provide additional informational capabilities to States, Indians, and other users.

Question: What is the cost of these enhancements?

Answer: The IBM configuration represents an entirely new operational environment in which MMS as yet lacks experience. The enhancements are undergoing analysis; however, the cost of approximately 70 enhancements is estimated to be $300,000 at the current estimated contractor rate.

Auditing and Financial System

Question: When will the AFS be fully implemented on System X?

Answer: The earliest date the existing AFS system could be operating on the IBM mainframe is November 1986.

Question: What are the milestones?

Answer: AFS is currently scheduled to be turned over to MMS for acceptance test, parallel test, and performance test on June 30, 1986. MMS is planning for 2 months of acceptance and 2 months of parallel operations testing following the delivery, which means that the earliest date the reimplemented AFS would be placed in production would be November 1986.

Question: What redesign formats are you considering? When will MMS begin the redesign effort? What are the estimated costs?

Answer: An in-house software improvements team will be assembled in FY 1987 to identify needed system enhancements and to evaluate the new hardware/software system and the effect of the enhancements on it. With the help of a major accounting/auditing firm, this team will evaluate the progress made to date and determine what future courses of action are required. At this time, the establishment of a schedule or the estimate of costs for systems redesign is premature.

Question: When was MMS going to apprise the committee of the problems it is envisioning with System X which will require a significant number of enhancements?

Answer: The problems being addressed by the enhancements relate to the user efficiency and effectiveness of AFS. AFS will be operational on the IBM even without the enhancements. However, the enhancements will improve user efficiency, effectiveness, and information responsiveness and will provide to States and Indians needed reports and other data which were previously not available. Incidentally, "System X" simply refers to the IBM 3081 mainframe computer.

Question: When will El Paso natural gas data be online?

Answer: On October 22, 1985, MMS notified El Paso Natural Gas (EPNG) that MMS would delay EPNG's conversion to the AFS for at least a 2-year period beginning October 1, 1985, for the mutual benefit of EPNG and MMS. Delaying the conversion of EPNG, its affiliates and small third party leasehold interests gives EPNG enough time to successfully complete a corporate realignment and transfer its leasehold interests to Meridian Oil. We will continue to work with EPNG and may never convert if we can reach an agreement which is cost effective for the Government.

Penalty Assessment

Question: Is MMS planning to assess penalties for the failure to report oil or gas production? If not, why not?

Answer: The MMS recently developed and implemented a comprehensive enforcement and penalty strategy for the RMP. This strategy calls for assessments for both late reporting and failure to report oil or gas production data. The assessment is a $10 per day charge for each line of missing or inaccurate production data on any of five PAAS reports. The strategy also provides for civil penalties for those operators who repeatedly fail to report or report late.

Question: What will be the cost to assure that all royalties owed are being collected?

Answer: We are somewhat confused by this question in the context of penalties. The MMS approach in imposing penalties is to ensure substantial compliance by industry. MMS believes that current and improved systems and procedures can achieve substantial compliance. Specifically, this will be done by means of sophisticated automated system edits, comparison of sales and production data, a targeted audit strategy, cost-effectiveness exception processing, and an aggressive enforcement program.

Question: Has any additional instruction for penalty identification been devised for System X?

Answer: No. The conversion of AFS to the IBM mainframe is a straight line for line reimplementation. No new functionality will be introduced.

Question: MMS finally began assessing payors for erroneous and late reports in March 1985 and May 1985 respectively. As of February 1986, over $360,000 had been billed for erroneous reporting; how much has been collected?

Answer: MMS has assessed $366,250 for erroneous reporting through March 15, 1986. Of that amount $333,840 has been collected.

Question: What is the payor history on erroneous reporting?

Answer: MMS has experienced a decline in payor erroneous reporting. Initially, the payor error rate, which is defined as the percentage of data lines which fail AFS edits as a result of payor reporting mistakes, reached 61.7 percent and when all office conversions were completed, the error rate was still 24.3 percent. Currently, the payor error rate is 5.4 percent.

Question: Are payors doing better?

Answer: Based on the answer to the above question, the payors are definitely doing a better job of reporting.

Question: What are the major errors made by payors?

Answer: The two major categories of errors made by payors are erroneous prior period adjustments and coding differences between what the AFS system expects and what the payor reported.

Question: How many different errors does the system check?

Answer: The AFS includes 55 warning and 107 fatal errors for each line of royalty data. Warning errors indicate questionable coding or other payor inconsistencies but do not affect the accuracy of disbursements. Fatal errors are of a critical nature and stop related disbursements until corrected.

Question: Are there any manual checks?

Answer: MMS manually researches and corrects all fatal errors generated by the AFS. Payor reports are checked manually for mathematical accuracy.

Question: Are there additional errors that should be assessed?

Answer: MMS currently assesses lines rejected due to fatal errors. The 107 fatal edits in the AFS are adequate for making assessments; however, there is a study underway to review the validity of all edits. Changes or additions may result.

Question: Is the $10 per line assessment for late reporting the minimum or maximum allowed?

Answer: The maximum allowed by FOGRMA is $10 per line per day.

Question: Does a late report also have interest owed for not paying by the appropriate date?

Answer: Interest is assessed if late reports are also paid late.

Question: If so, how much interest was billed each month for late payments in the last 12 months?

Answer: MMS has billed the following amounts for late payments each month for the 12-month period ending March 1986:

April 1985	$ 630,277
May 1985	710,901
June 1985	599,086
July 1985	1,358,091
August 1985	3,278,246
September 1985	664,115
October 1985	733,631
November 1985	629,090
December 1985	1,602,764
January 1986	3,427,110
February 1986	1,898,966
March 1986	1,117,092
	$16,649,369

Question: Should penalties also be assessed, as well as interest, in order to get habitual late payors to report on time?

Answer: Assessments are billed for late reporting and interest is assessed for late payment when both the payment and the report are received late. Penalties are assessed against payors who consistently report and pay late. The interest rate charged is the IRS penalty rate.

Question: When a payor is notified of late payments and interest due and the payor pays the late payment but not the interest, does MMS assess interest on the unpaid interest? If not, why shouldn't the payor be assessed a penalty for willful nonpayment of interest owed?

Answer: MMS does not compute interest on late payments until payment is received. MMS determines the interest owed based on the period of time between the due date and the date of payment. If the subsequent interest bill is paid late, MMS will compute interest on the late payment of interest.

If the interest bill is not paid, MMS implements collection procedures including followup letters, surety collections, and issuance of Notices of Noncompliance when appropriate.

Unreported Royalties

Question: What percentage of royalties owed the Government go unreported? What is the estimate of unreported royalties due to the Government which MMS believes it will be able to collect?

Answer: The Department is aware that various groups, including Congress, the General Accounting Office, and the Linowes Commission have attempted to substantiate a figure or percentage for unreported royalties. The fact of the matter is that there is no statistically or empirically reliable method to derive such a figure or percentage. Because of fluid prices and market conditions, changes in the regulatory and enforcement climate, and the pure impracticality of using the available historical data to project to the current situation, we have not attempted to quantify unreported royalties, nor do we believe it can be done with any degree of reliability.

Question: Does MMS need to redesign the system to facilitate collecting these dollars?

Answer: There are a number of planned enhancements to AFS that will facilitate collection of royalties. To the best of our current knowledge, a redesign is not needed.

Question: If so, what is the cost effectiveness of this redesign?

Answer: At this point, no study of the cost effectiveness of redesign has been undertaken or completed.

Question: Incrementally, how much will it cost MMS to collect 1 percent of the unreported royalties, 2 percent, etc.?

Answer: Lacking a confirmable estimate and source of unreported royalties, we cannot provide an answer to this question.

Question: When would the necessary system improvements be online?

Answer: Until it is determined what, if any, systems improvements would contribute to additional collections, it is impossible to know when any such improvements would be implemented.

RMP Ombudsman

Question: The Justification states that MMS will appoint an Indian ombudsman in FY 1987. Where will this ombudsman be located?

Answer: The Indian ombudsman was appointed in August 1985, as a member of the External Affairs Office within the Office of the Associate Director for Royalty Management in Lakewood, Colorado.

Question: Does MMS have a State ombudsman? If not, why not?

Answer: MMS does not have a State ombudsman. State inquiries are handled by the Office of State and Tribal Program Support within the Royalty Compliance Division, and other staff members within the External Affairs Office.

Accounting/Auditing Firm Contract

Question: Discuss the contract with a major accounting/auditing firm for expert accounting systems advice which MMS plans to enter into. What is the cost of this contract?

Answer: The purpose of the contract is to acquire for the Government, from private enterprise, expert advice and auditing services in fiduciary and funds accounting, mineral production pricing and marketing, mineral royalty accounting, and financial service management. The contractor will provide skilled personnel to perform work as specified in individual task orders. The estimated cost for the contract is $100,000 in FY 1986 (reduced from $250,000 as a result of the Balanced Budget and Emergency Deficit Control Act of 1985), and $250,000 in FY 1987.

Question: What services will the contractor perform?

Answer: MMS will request the contractor to survey and make recommendations on the RMP's AFS and the Bonus and Rental Accounting Support System (BRASS). Specifically, the contractor will be asked to: (1) evaluate the effectiveness of front-end processing controls as it is related to both revenue control and speed of fund distribution, and (2) make suggestions as to system or procedural improvements or redesign, as appropriate.

Question: Who advised MMS of the need for such a contract?

Answer: During development of the Management Action Plan for the RMP, a consensus developed within the Department that a follow-on effort to the MITRE Corporation's role was needed. It was decided that, since systems development was essentially complete, the Associate Director for Royalty Management should have access to a major accounting/auditing firm for the purposes of providing general advice and performing special tasks assigned by the Associate Director.

Royalty-In-Kind Program

Question: On page 70 of the Justification, it states that starting in 1985, MMS began charging a fee to recover the administrative costs of the Royalty-In-Kind program on all new and extended contracts. When in 1985 did MMS begin this effort?

Answer: MMS reinstated the administrative fee for the Royalty-In-Kind (RIK) program on July 1, 1985. Billing commenced for offshore RIK contracts in the September 1985 bills to small refiners.

Question: In the FY 1986 House Report 99-205, MMS was instructed to look at the possibility of charging an administrative fee to independent oil refiners to pay for the cost of operating this program and to submit its recommendation to the Committee with the Fiscal Year 1987 budget. Is the Committee to assume that MMS has made the decision to charge these fees by the statements on page 70 of the Justification?

Answer: As a result of the recommendations in the FY 1986 House and Senate reports to examine the possibility of charging an RIK fee, MMS has implemented the RIK administrative fee on all extended contracts and will include an administrative fee provision in contracts issued on any new sales.

Question: Does the fee MMS imposes fully cover the cost of administering this program?

Answer: Until sales are held and new contracts containing administrative fee provisions are issued, MMS must amend existing contracts when extensions are granted to impose the administrative fee. As a result, MMS is not yet fully recovering the cost of administering the RIK program. The costs are prorated to all contracts on the basis of leases under contract. MMS has collected 11.4 percent of administrative costs; however, this would increase to 31.4 percent with the July 1986 billing if all contracts remain active. It is anticipated that the fee will recover full costs by January 1987.

Question: Into which account are these monthly reports received?

Answer: Administrative fee receipts are initially deposited in the Suspense Account, 14F3875.17. They are then transferred to the General Fund receipt account for administrative fees, 142419.1.

Question: How many independent oil companies are participating in the Royalty-In-Kind Program?

Answer: MMS currently has seven refiners in the RIK program, each with one contract. As of May 1, 1986, however, we will be down to six; two offshore, three onshore California and one onshore Wyoming. We began FY 1986 with 28 contracts involving 22 refiners; 17 of the contracts were terminated on or after February 1, 1986, mainly because of the current crude oil glut.

Exception Processing

Question: On page 71 of the Justification, there is a discussion of exception processing. In the FY 1986 Continuing Resolution, additional funding was provided for exception processing in the anticipation that this funding would generate additional revenues for the Government from mineral revenue collection. How much has been collected as a result of the additional funding provided in FY 1986?

Answer: FY 1986 contract funding was not provided until mid-January 1986 and the contractor was not fully staffed until April 1, 1986. The first contractor staff reported on February 1, 1986. Contractor staff have now been trained and have verified $2.8 million in bills which have been or will be issued.

Question: The Justification states on page 71 that these exceptions require a manual effort to assure that a true discrepancy exists. What is the size of the staff MMS has for this verification process?

Answer: MMS devotes 44 contractor staff and 13 Federal employees to exception processing.

Question: The new IBM mainframe will still require a manual effort for verification. Why isn't software being written to process these exceptions automatically? Is it because you can't trust the data base?

Answer: Once the new system is operational, the current software will be reviewed to determine what, if any, changes would be desirable to minimize the manual verification process. Automated exception processing is the automatic identification of potential billable exceptions. Regardless of how sophisticated and accurate the software is, there will always be some manual verification required. Currently, MMS has substantially completed significant data base cleanup efforts. However, substantial efforts will be devoted to retroactive exception processing working with information generated prior to current efforts. While the condition of the data base does impact the current manual efforts, it is not the only reason for manual verification efforts. For example, MMS must manually verify the net effect of adjustments and the use of correct adjustment reason codes.

Question: What is the staff size envisioned for Fiscal Year 1987 for this task?

Answer: The exception processing staff size planned for FY 1987 is 55 contractor staff and 11 Federal employees.

Question: What amount of funding is included for exception processing in Fiscal Year 1987?

Answer: FY 1987 proposed exception processing contractor funding is $1,609,000.

Question: What is the projected return for this investment?

Answer: MMS projects net exception processing revenues of $14.8 million for FY 1987.

Electronic Fund Transfer

Question: What is the likelihood that the Electronic Fund Transfer (EFT) transition for all companies that pay at the $50,000 threshold or above will be completed by April 1986?

Answer: MMS has completed its conversion of all payors to EFT whose total royalty liability is $50,000 or greater. The last group of the 169 identified companies were notified in March that beginning with their April payments they must use the EFT payment method.

The average monthly receipts by EFT have been $355 million for the first 6 months of FY 1986. These receipts equal 87 percent of the total $2.439 billion received during that time.

Production Accounting and Auditing System

Question: The MMS has established the Production Accounting and Auditing System (PAAS) to compare production volumes against sales data and identify exceptions. The PAAS will continue to operate on the VAX mini-computer system. Has MMS inquired about the capability of private industry to provide the production verification service to MMS on a well and lease basis? If not, when does the MMS expect to seek out this information?

Answer: Prior to the design of PAAS, the Department tasked a contractor to analyze production information being collected commercially for potential use. The contractor cited inconsistent data collection practices among the sources which would make it "extremely difficult" to match the commercial data to MMS data. Commercially available data is obtained from State governments or BLM. Data from the State governments varies substantially in reporting level (well, completion, lease, etc.), does not clearly identify Federal and Indian reporting entities, and does not necessarily include the entity reporting numbers needed to make efficient comparisons with royalty data. Moreover, there is no legal requirement that the States continue to collect or provide this data to commercial publishers.

The BLM-based data is more amenable to comparison with royalty data. However, it is unedited and it lacks certain data needed for the comparison. Using unedited data assures the generation of numerous spurious exceptions which cannot be immediately distinguished from valid exceptions. In several test comparisons of BLM production data with royalty data, MMS spent a considerable amount of time in a reconciliation effort only to find that either no differences existed or the differences were attributable to the volumes being reported against terminated units or erroneous leases.

The Department's Mineral Lease Information Study (MLIS) Team is reexamining alternatives for collection of onshore production data. The study recommendations will be available in the fall of 1986.

Question: If BLM provided information on production verification, could these data be assimilated into System X?

Answer: Yes, but it would require designing and developing another software application system to process such data.

Question: What does MMS mean by production verification. Can a program be responsive as well as cost effective?

Answer: BLM field personnel perform this activity for onshore leases during onsite inspections of operations by examining company records such as run tickets, gas charts, and mine maps. Since MMS is not responsible for onsite production verification, the second element of this question is better addressed to the BLM.

For offshore leases, MMS is testing a sampling approach. The first results of this (for offshore California) showed no underreporting, so it is not clear that it would be cost effective.

Question: The Justification states on page 74 that MMS deferred the conversion of the remainder of onshore Federal and Indian leases into PAAS pending the completion of a study of data collected from Federal and Indian leases. When will this study be completed?

Answer: This study is part of a larger effort by the Department's MLIS team. The team expects to complete its reviews and issue a report during the fall of 1986.

Question: Has MMS estimated the cost of putting PAAS online for onshore leases?

Answer: The cost of implementing PAAS onshore is being thoroughly analyzed by the MLIS team. More than a dozen alternatives are being examined at this time. Their costs and benefits will be presented in the MLIS report.

Question: What timeframe is MMS looking at for this effort?

Answer: No decision has been made as to the scope or approach for further onshore PAAS implementation. The Department will make this decision based on the MLIS report and the Royalty Management Advisory Committee recommendations. The duration depends on the alternative selected.

Question: Has MMS prepared any incremental analysis on the different plateaus of high valued leases and the corresponding MMS costs of the program?

Answer: This is one of the alternatives being explored by the MLIS team.

Question: What is the maximum amount MMS hopes to identify with an onshore PAAS?

Answer: The predicted benefits of various approaches to onshore PAAS implementation are currently being developed by the MLIS. All costs and benefits will be presented in its report.

Question: On October 18, 1985, BLM issued Instruction Memorandum 86-29 regarding inspections for production verification which BLM proposes to conduct on a more detailed basis. Has BLM contacted MMS regarding this memorandum?

Answer: Yes, and BLM requested and received comments from MMS.

Question: Will the BLM program effectively monitor production and insure that the Government is receiving all royalties due?

Answer: MMS, not BLM, is responsible for validating the amount of royalties due. Production volume is only one element required to calculate royalty due. Also required are production values, sales quantity and royalty rate. These elements are available to the Department from the AFS.

Question: How will MMS use this information to verify the information on its 2014 input forms?

Answer: BLM will advise MMS of irregularities disclosed by its production verification. For those leases converted to PAAS, MMS will order submission of revised PAAS reports and automatically compare these production volumes against the sales volumes contained in the AFS. Material differences will be pursued in the same manner as differences in regular monthly reporting. For those leases not converted to PAAS, BLM will provide production data and MMS will manually process irregularities noted. Differences will be investigated and referred to payors so that revised 2014's can be submitted. BLM will then be notified of the results.

Question: Why has the Department fragmented the responsibility for production verification between MMS and BLM?

Answer: MMS does not believe the responsibility for onsite production verification is fragmented. Rather, the constituent efforts have been assigned to the agencies having the appropriate expertise and collateral missions to efficiently and effectively perform these efforts. For those leases converted to the PAAS, production data is collected to identify cases where leased minerals were removed from Federal or Indian lands without proper royalty payments. As an extension, MMS provides edited printouts of reported data to BLM for its onsite production verification. BLM's field staff of technical personnel use the data together with inspection records to identify production irregularities, which may also be associated with royalty shortages. Such irregularities are referred to MMS which orders new production reports and royalty reports and, where applicable, an audit of the lease operator.

Question: BLM receives monthly reports from operators of Federal and Indian leases on their "Monthly Report of Operations." This report has the lease oil and gas production and sales volume information as well as the status of each well on the lease including well production of oil, gas and water, and number of days produced. In addition, BLM also receives data on inventory, spilled or lost, vented or flared, used on lease, etc. Why has MMS never attempted to use these data nor incorporate them into the data base as a means of production verification?

Answer: MMS has performed comparisons with BLM data and royalty data. This approach has proved extremely time-consuming in the identification and correction of errors related to production verification.

During our efforts to reconcile BLM data with royalty sales data, we found numerous problems such as incorrect lease numbers, unexplained inventory adjustments and mathematical errors. Since this manual editing process was so resource-intensive, we found little time left to actually pursue and resolve the true exceptions.

PAAS provides an automated edit process thereby permitting us to direct resources to those cases where the reported production data and royalty data are significantly different.

Interest for Late Payments

Question: The Federal Oil and Gas Royalty Management Act requires the Government to make payments of interest to State and Indian accounts within a set timeframe. When these payments are not made in a timely manner, the Government must pay late interest payments to State and Indian allottees. The FY 1987 budget again requests funds for late interest payments. Why hasn't MMS made any progress in reducing these late interest payments?

Answer: Payments to States - MMS has made significant progress in reducing late payment interest liability. During the first 6 months of FY 1985, late payment interest to States totaled $686,000. For the same 6 month period in FY 1986, the accrued interest has been reduced to $190,000, a decrease of 72 percent. Several initiatives have helped MMS to accomplish this substantial decrease in interest liability.

-- A significant improvement in the accuracy, reliability, and currency of the AFS reference data base has resulted in a corresponding decrease in data base errors, allowing greater dollar amounts to be disbursed to the States on time.

-- A concentration of resources to improve payor reporting coupled with more severe assessments and penalties against payors who habitually report in error.

-- Increased management attention toward correcting older, high dollar value errors. This, in conjunction with improved payor reporting, has allowed MMS to substantially reduce the end of month inventory of uncorrected errors prior to distribution and disbursement to States.

Payment to Indians - MMS expects to reduce interest payments to Indians from $102,000 in FY 1985 to about $90,000 in FY 1986. Interest paid to BIA on late disbursements differs from interest paid to States on late disbursements. Section 104(b) of the FOGRMA requires MMS to deposit Indian royalty funds "to the appropriate Indian account at the earliest practicable date after such funds are received by the Secretary, but in no case later than the last business date of the month in which such funds are received." Approximately 93 percent of all royalty reports and payments arrive at MMS in the last 3 business days of each month. This fact, combined with the processing time required for such a large volume of checks and the time required to run summaries, makes it impossible for MMS to meet the FOGRMA timeliness requirements. In contrast, MMS is not required to disburse royalty funds to the States until the end of the month following the month in which the funds are received at MMS. A variety of problems, from payor reporting and payment errors to computer system difficulties, can result in late disbursements and the subsequent accrual of interest.

Question: When can the Government expect to end these payments?

Answer: States - There will continue to be some late payment interest liability to States so long as payors make errors in reporting royalties to MMS. It is unrealistic to expect an error-free royalty reporting environment.

Indians - Depending on the outcome of current legal proceedings against the Department, the future outlook for Indian interest costs can be expected to continue to decline or, on the other hand to increase over what the Department is now experiencing. The Department now interprets the "Appropriate Indian Account" as the tribal or allotted Treasury account managed by the BIA. However, a lower Federal court has recently held that the individual Indian money account is the "Appropriate Indian Account" for allottees. If this interpretation is upheld, then the Department's Indian late payment interest liability will increase since it is impossible to disburse monies to individual allottees by the end of the month in which it is received (as required by FOGRMA) within 1 or 2 days of receipt of the payment by MMS.

Question: The Justification says that AFS is designed to track royalties reported at the account identification number and is not designed to track cash received at that level. Such a capability would require a major system redesign. What would that redesign cost?

Answer: Design of a major system modification to convert interest accrual to a cash basis for late payments to the States has not been initiated because of the ongoing conversion of the AFS software to the mainframe computer. In addition, several legal issues must be resolved before proceeding with a system modification since the ultimate resolution could determine how the software is modified and affect the resultant costs. For these reasons, it would be premature to estimate the redesign cost.

Question: If that redesign is not done, what amount can the Government anticipate for future late interest payments?

Answer: FY 1986 interest costs are currently projected as $380,000 to States and $90,000 to Indians. Assuming continued improvements along the lines of those achieved already, future years' costs should approximate $325,000 to States. Indian late payment costs are highly speculative depending on the outcome of ongoing litigation.

Question: Does MMS have the necessary personnel to review and correct errors in the royalty data before the distribution of funds?

Answer: Yes, MMS has actively pursued error correction and has made significant impact on the error rate. The AFS error rate which is defined to be the percentage of data lines which do not pass AFS edits has been cut in half during the past year, from 13.2 percent in December 1984, to the current low rate of 6.5 percent in December 1985. The effect of the lower error rates is evidenced by the lower amount of interest paid to States and Indian tribes for late disbursement by MMS. Interest paid has dropped from a high of $215,000 in March 1985 to a recent monthly average of $38,000.

Question: What is the staff size needed for this task?

Answer: Based on current MMS success in error correction with resultant interest payment reductions, additional staff resources are not justified at this time.

Reconciliation of Lease Data

Question: On page 132 of the Justification, it states that on September 21, 1984, the Department promulgated regulations which establish monetary penalties for improper reporting. In addition, an intensive effort involving MMS contractor personnel is underway, the principal focus of which is to reconcile lease data to assure that each lease is properly identified in the system and cleanup the backlog of payor information forms which have accumulated. What does "reconciliation" involve?

Answer: There are three projects involved in the "reconciliation" of MMS's lease and payor data bases. They include: (1) lease universe reconciliation, (2) fund code reconciliation, and (3) reconciliation of problem payors and their Payor Information Forms with MMS data bases.

Basically, lease universe reconciliation encompasses verifying that all Federal leases and producing Indian leases are correctly entered into the proper system (AFS or BRASS). Indian nonproducing leases are not on MMS accounting systems. Verifying correct entry means reviewing all possible sources to: (a) assure that all existing leases are identified in the AFS or BRASS systems by their correct lease number, and (b) to assure that all leases in AFS/BRASS are also properly reflected in BLM or BIA records. Fund code reconciliation involves validation of lease elements related to accurate distribution of mineral revenues; those elements include State code, county code, land status code, and Treasury fund code. Reconciliation of problem payor data involves working with payors identified as having a high data rejection rate to correct mistakes that were occurring between payor reported data on Payor Information Forms and monthly Reports of Sales and Royalty Remittance (MMS-2014).

Question: How many contractor personnel are involved in this effort?

Answer: These projects are a combined effort between personnel from the Department of the Interior (MMS, BLM, and BIA), MMS contractor personnel from International Business Service (IBS), and State personnel involved in the Intergovernmental Personnel Act (IPA), and FOGRMA Section 205 delegated audits. These projects have been ongoing since January 1985 with completion scheduled for September 1986. Average staffing for these projects has been about 15 MMS, IBS, IPA, and Section 205 personnel.

Question: What is the cost of this effort?

Answer: The cost of this effort has been about $450,000.

Question: What is the reduction in error and resultant savings envisioned from this effort?

Answer: These projects have contributed substantially to improving the quality of MMS's data base as is evidenced by the reduction to the AFS error rate attributable to data base problems from an initial rate of 20.6 percent to a current rate of less than 4 percent.

Payments to States

Question: Once again the Administration is proposing language which would distribute net rather than gross receipts to States from development of mineral resources on Federal lands within their boundaries. What assurance does the Administration have that the Senate has changed its position on this issue?

Answer: While it is correct to say that the Department has again proposed language containing the net receipts concept, we prefer not to speculate on the Senate's position in the absence of that Body's full deliberations on the matter.

Question: In FY 1986 the payments to States account is reduced by $23,895,000 in response to P.L. 99-177. This amount will remain in the account and will be available at a future date to the extent permitted by law. Discuss the impact of this reduction.

Answer: Under Public Law 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985, commonly referred to as Gramm-Rudman-Hollings, required that reductions in spending be accomplished through the cancellation or reservation of spending authority, a process called sequestration.

Almost all the appropriation accounts administered by the Department of the Interior are sequestrable under the provisions of Public Law 99-177. Payments to the States from receipts under the Mineral Leasing Act are not exempt from being sequestered under Sections 255 or 256 of Public Law 99-177. Consequently, by Presidential Order dated February 1, 1986, the President directed that, effective March 1, distributions from this account are to be reduced by $23,895,000 from the levels that would have been distributed in the absence of Public Law 99-177.

MMS has developed a formula to allocate the required FY 1986 reduction of $23,895,000 equitably among all sharing States. Deductions from the States monthly payments began in March and were based on a monthly prorata analysis of cumulative payments made to States during FY 1986. Monthly sequestration amounts from all States will total $3,413,572, and each State's reduced payment will be recalculated each month to ensure that the $23,895,000 reduction will be allocated proportionately to each State's total payment for 1986.

Question: When does MMS anticipate that these funds will be released?

Answer: The United States Court of Appeals for the District of Columbia Circuit ruled on February 7, 1986, that the sequestration order implementing the budget reduction specifications of a report prepared by the Comptroller General is unconstitutional. It stayed the effect of its ruling, however, pending appeal of its decision to the Supreme Court.

If later this year the Supreme Court also rules that the sequestration order is unconstitutional and the Congress does not pass a joint resolution as an alternative to the sequestration order as provided for in the Public Law 99-177, the money withheld will then become available for payment to the States as soon thereafter as possible.

On the other hand, if the Supreme Court overturns the Court of Appeals ruling, under Section 256(a) of Gramm-Rudman-Hollings, budget authority that is sequestered is permanently cancelled--except budget authority in special and trust accounts. Budget authority in such accounts is sequestered in the accounts and "...will be available in the future in accordance with and to the extent permitted by law, including the provision of the Act (Gramm-Rudman-Hollings)." The Department is currently reviewing the legal questions governing the ultimate disposition of these funds.

Distribution of 8(g) Money

Question: On April 7, 1986, the President signed the Budget Reconciliation Act. Included in this package is the formula for sharing offshore gas and oil receipts between the Federal Government and seven coastal States. What is the timeframe for distributing the 8(g) money?

Answer: On April 14, 1986, $894.5 million was disbursed to the States of Alabama, Alaska, California, Florida, Mississippi, and Texas. The Federal share ($2.9 billion) relating to this disbursement will be transferred to the Federal Treasury as of April 30, 1986. The payment of $615.9 million to Louisiana along with the Federal share ($2.1 billion) pertaining to Louisiana was reinvested on April 14, 1986, to be disbursed prior to October 1, 1986.

Question: How much is anticipated to be distributed in FY 1986?

Answer: MMS estimated that in addition to the amounts distributed on April 14, 1986, $24 million will be disbursed to States in FY 1986, and approximately $70 million to the Federal Treasury.

Question: What impact, if any, will this legislation have on FY 1987, FY 1988, and FY 1989 receipts to the Treasury?

Answer: On a monthly basis, the designated coastal States will receive 27 percent of all revenues subject to the Outer Continental Shelf Lands Act Amendments of 1985. In addition to their 27 percent share, $19.5 million per year will be disbursed to the coastal States during FY's 1987, 1988, and 1978. These disbursements will be made from current revenues, thus reducing receipts to the Treasury by $19.5 million in each fiscal year. This type of disbursement arrangement will continue for 15 years at amounts specified in the Outer Continental Shelf Lands Act Amendments of 1985.

Valuation Guidelines and Regulations

Question: Valuation guidelines and regulations are the cornerstone of assessing whether or not the Government has received the royalties it is due. How are auditors to know what values are valid without guidelines? What are auditors doing in the interim until these new guidelines are established?

Answer: Presently, auditors apply existing valuation criteria to determine if the correct values are used in the calculation of royalties. The valuation criteria used for these determinations are found in lease terms, laws, regulations, agency orders and notices, and case-specific value determinations.

Question: How many audit findings have been appealed because of disagreements over product valuation?

Answer: Payors have appealed 66 Royalty Compliance Division (RCD) directives to pay additional royalties because of disagreements over product valuation.

Question: Will the new guidelines be made retroactive? If so, retroactive back to what date? What is the rationale behind this decision? How many completed audits will have to be redone using the new guideline criteria? What will be the cost of this action? Will MMS need to hire additional auditors to redo these completed audits?

Answer: We do not anticipate that they will be made retroactive.

Question: Why doesn't MMS develop royalty valuation guidelines and regulations for oil, gas, and associated products AT THE WELLHEAD rather than the complicated methods being advocated in the new guidelines?

Answer: The MMS's current and draft regulations establish value at the lease rather than at the wellhead. In situations where oil, gas, and associated products are not sold at the lease but rather are transported and sold at a sales point remote from the lease (sometimes after processing to remove associated products), the costs of transportation and/or processing must be deducted from the sales price to establish a value at the lease. If an attempt were made to value products at the wellhead, prior to any treatment, MMS may be faced with the impossible task of valuing a commodity prior to the time its market value is established by reason of sale on the open market. If the Government were to collect royalties on other than market value, its collections would be significantly less than at present.

Question: If MMS does not develop guidelines and regulations for oil, gas, and associated products at the wellhead, how can MMS assure the Congress that the Government is not subsidizing companies to produce natural gas liquid products?

Answer: The MMS does not share the view that lessees are being subsidized. The Government is entitled to the value of the production, placed in a marketable condition, at the lease. When lease products are transported and/or processed and valued at a sales point remote from the lease, the value added by processing and/or transportation is reflected in the sales price. To arrive at a value for royalty purposes at the lease, the reasonable actual costs of transporting and/or processing must be deducted from the sales value to determine the royalty value. Under the draft regulations, lessees can deduct the reasonable actual costs incurred in transporting and/or processing the royalty portion of lease products. Costs incurred under an arm's-length contract generally are acceptable to MMS. For costs incurred under other than arm's-length conditions, the lessee will be required to submit Form MMS-4109 or Form MMS-4110 for MMS approval prior to deducting an allowance from royalty payments. Instructions for completing Form MMS-4109 and Form MMS-4110 include an itemization of allowable and nonallowable costs and a specified procedure to be used in computing the allowance. If during an audit or later review it is determined that the lessee claimed an allowance greater than that to which he is entitled, additional royalties, with interest, would be collected.

Question: Wouldn't this eliminate the onerous requirements for transportation allowances, valuation of residue gas, as well as muitiplicity of measurement and reporting problems?

Answer: The MMS does not consider its draft regulations to be onerous. As explained in the answer to the above questions, it is sometimes necessary to consider the costs of processing and/or transportation to arrive at a value for royalty purposes at the lease.

Question: What steps has MMS taken to develop the software which will be needed for exception processing once the new guidelines are in place?

Answer: The MMS is not currently developing software for product valuation exception processing; however, exception processing modules currently being used are being converted as part of the AFS conversion contract.

Question: The Justification on page 78 states that these new product value regulations "will require individual interpretation in site specific cases resulting in a large number of valuation determinations." Won't these new guidelines require an increase in the level of manpower necessary to verify the information and allowances claimed by the lessees? Does MMS have the necessary manpower?

Answer: It is not clear since the rules are currently in a preproposed stage. If they were final as currently written, MMS would not have the necessary staff.

Question: Can the present MMS system tell what allowance lessees are incorporating into their calculation of the royalty they owe the Government? If not, how does MMS verify the information?

Answer: Yes. There is a separate line entry for both processing and transportation allowances. These separate line entries can be tabulated. Information is further verified through oversight and audit.

Question: There are several allowances permitted by MMS that payors may take against royalties owed. Two of these, transportation and processing allowances, are included in the new guidelines and regulations. Under the existing regulations; how many processing allowances and how many transportation allowances has MMS approved?

Answer: In FY 1985, MMS approved 273 processing allowances and 309 transportation allowances.

Question: How many processing plants are processing Federal and Indian gas?

Answer: At the present time, MMS is approving processing allowances for 30 offshore gas processing plants and for 28 onshore gas processing plants. The Conservation Division Manual, Part 647.7, which is still being used for guidance by MMS, provides that onshore gas plant owners are not required to secure an approved processing allowance from MMS unless 50 percent or more of the gas being processed by the plant is owned by the plant owners. Accordingly, our records do not show the exact number of plants processing Federal and Indian gas. Under the draft regulations, all plant owners processing Federal or Indian gas will be required to report to MMS so that all processing allowances being claimed by payors may be monitored.

Question: Presently, how many payors of onshore royalties are taking 66 2/3 processing allowance? How much royalty has been credited back to the payor for processing allowances taken in 1981 through 1985?

Answer: As explained above, MMS records do not identify all of the payors of onshore royalties who are taking the maximum 66 2/3 percent processing allowance. The MMS has approved a processing allowance of 66 2/3 percent for 10 of the above 28 onshore gas processing plants because the cost data submitted supported the maximum allowance. The value of the processing allowances credited to payors for FY 1985 approximated $15,000,000 for onshore leases. It is estimated that approximately $75,000,000 has been credited to onshore payors during the period 1981 through 1985.

Question: Will the new regulations which allow different processing allowances for each plant owner merely compound the problem and have the allowance pay for the purchase of more plants?

Answer: The draft regulations would eliminate many problems currently involved in computing processing allowances. Currently, the revenue and expenses reported by each interest owner in the plant is totaled for the plant and one allowance is computed by MMS based on total revenue and expense for the plant. Often months go by before a lessee can be apprised of their approved processing allowance. The draft regulations would eliminate this problem since each plant owner's allowance will be based on the revenue and expenses submitted by that individual plant owner. Also, the plant owner can be timely advised of the approved processing allowance since MMS will no longer have to wait for all plant owners to submit their report of revenue and expenses before a processing allowance can be approved. If one plant owner is late in filing a report of revenue and expenses, it will no longer cause untimely approvals to all the other plant owners.

The total value of the approved processing allowance will be the same under the current method of approving one allowance for a plant and under the proposed method of computing an allowance for each plant owner. However, under the draft regulations as compared to the method currently being used, one plant owner may receive a larger allowance and another plant owner may receive a smaller allowance based on the individual plant owner's actual revenue and expenses. Therefore, the new procedure is more equitable to the lessee than the current procedure. The MMS does not share the belief that the draft regulations will provide funds for the purchase of new plants.

Question: What is the rationale for changing from the present plant basis to each owner taking a processing allowance?

Answer: As explained above, the rationale for changing the existing procedure is that it is more equitable to Federal and Indian lessees and that it eliminates current problems involved in the timely approval of processing allowances.

Question: What is the status of the $20 million audit findings on processing plants?

Answer: The gas processing plant findings are composed of potential additional royalties of $13.4 million due to natural gas liquid products valuations. As of March 31, 1986, the RCD had collected $2 million of identified additional royalties, and the balance, $11.4 million, represents estimated additional royalties due requiring significant MMS audit work to determine the precise royalty underpayments, if any. Included in the audit findings are $6.2 million of adjustments to the base used in calculating manufacturing allowances. RCD has resolved $5.6 million of these questioned costs.

MMS Audit Program

Question: On page 79 of the Justification, it states that since the inception of the MMS audit program in October 1981, about $216 million has been recovered in previously unpaid or underpaid royalties. Is MMS stating that it has identified $216 million that needs to be collected or that it has actually collected the $216 million?

Answer: From October 1981 through September 1985, the MMS had actually collected $172 million in traditional royalties, late payment charges, and liquidated damages and denied refund claims of $44 million for a total of $216 million.

As of the end of February 1986, these totals have increased to $230 million of collections and $50 million of refund denials for a total of $280 million.

Question: At what cost to the Government have these collections been made?

Answer: The total cost of the Royalty Compliance audit activities from October 1981 through February 1986 is approximately $22 million.

Question: What amount of owed royalties have been identified yet not collected?

Answer: Through the end of February 1986, the amount of additional royalties and late payment charges identified through audit efforts and as yet uncollected totaled approximately $34.1 million.

Question: What is the timeframe for these additional collections?

Answer: Of the $34.1 million in uncollected audit related royalties and late payment charges at the end of February 1986, $5.8 million was due within 30 days, $26.4 million was under appeal, $1.8 million was delinquent and in the process of followup action, and $.1 million was on hold for administrative actions.

Question: Does MMS have the necessary manpower for these collections?

Answer: MMS has sufficient manpower for this function.

Question: What amount was identified in FY 1985 and FY 1986 for collection?

Answer: The RCD identified potential royalty underpayments of $107,581,070 during FY 1985 and $30,761,855 during the first half of FY 1986.

Question: How can new amounts be identified for collection if MMS has no criteria or guidelines by which auditors are to make these determinations?

Answer: As previously described, MMS audits are conducted in accordance with lease terms, laws, regulations, agency orders and notices, and case-specific value determinations. The Royalty Management Program Audit Procedures Manual describes the standards and guidelines to be followed for auditing, documenting, and reporting on mineral lease audits and directs the auditors to the appropriate criteria.

Question: When does MMS envision developing criteria for audits?

Answer: The MMS has criteria for performing audits as discussed previously.

Question: Why is it taking so long to collect monies owed the Government?

Answer: MMS is collecting a large percentage of audit monies within 30 days of issuance of the bills. For example, the current accounts receivable balances for audit exceptions on late payment charges is $34.1 million of which only $1.8 million is delinquent. The delinquent audit bills are being pursued with the billees using standard collection and penalty procedures.

Question: On page 80 of the Justification, it states that over $10.1 million in lookback audit findings have been collected. At what cost to the Government has the $10.1 million been collected.

Answer: The RCD and the Office of Inspector General (OIG) incurred the following costs in performing the lookback and gas plant audits:

OIG Contract Costs	$ 8.90 million
OIG Contract Oversight and Audit Costs	2.97 million
Total OIG Audit Costs	$11.87 million
MMS Auditor Costs	$ .63 million
TOTAL AUDIT COSTS	$12.50 million

This presents only a partial picture, however, of the universe of potential collections. Further collections will be made as a result of the $11.87 million OIG costs expended to date (see below).

Question: What amount identified in lookback audits remains to be collected?

Answer: Of the additional royalties identified in the lookback audits, $56.5 million is pending legal decisions and/or implementing guidance, and $23.5 million remains unresolved. MMS will aggressively pursue audit resolution on disputed or unsubstantiated amounts. The MMS has initiated enforcement action to expeditiously bill for those findings fully supported by OIG audit workpapers.

Question: What is the timeframe for these collections?

Answer: The MMS plans to bill for all outstanding OIG lookback audit findings that are fully supported by audit workpapers by May 30, 1986. Estimated amounts not supported by audit workpapers which require additional work by MMS auditors are targeted for completion by September 30, 1986.

Question: The Justification states that funding criteria to distribute funds under Section 202 and 205 (cooperative audits with Staes and Indians) are planned to be developed for use in FY 1986 and subsequent fiscal years. Is MMS basing criteria on the amount that has previously gone to the States and Indians and the return to the Government for these efforts.

Answer: FY 1986: No specific guidelines were developed for the allocation of FY 1986 funds. Funding requests by the States and the one participating tribe of $3.6 million were revised to $2.9 million. Funding available for Section 202 and 205 activities was $1.9 million. Based upon reviews of the funding proposals, cuts were made without affecting the level of effort proposed by eight of the nine participants. These cuts were in the areas of: equipment purchases (duplication of equipment provided under the State and Tribal Support System), difference in proposed versus actual labor rates, subcontracts (primarily design of systems), and travel. The one participant which had its level of effort cut had proposed to audit all of its leases in 1 year. The corresponding cut reduced the level of effort to about a 5-year audit cycle.

Future years: The Royalty Management Advisory Committee established a working panel to review this issue. The panel is to provide the results of its study to the Advisory Committee in June 1985, which will make recommendations to the Department.

Question: If not, why not?

Answer: FY 1985 did not provide a good foundation to use as the basis for distributing FY 1986 funds. The contracts were signed during FY 1985, with different effective dates. As such, the funds covered different lengths of time. Also, the audit programs of some participants were more complete, as a result of the joint audit program, than others. These others spent much of FY 1985 implementing and staffing their program and did not have a full audit program underway. Thus, they did not have a high rate of return the first year. Of the nine contracts signed in FY 1985, four participants spent less than 50 percent of the funding that was allocated based on the proposed workplans. As mentioned above, FY 1986 provides a much better basis for comparison and will be used in distributing funds in FY 1987.

Question: Provide for the Committee a list of the funding by fiscal year for each of the eight States and the one Indian tribe involved in the cooperativ audits and the amount they have returned to the Government based on their audit findings.

	FY 1985 ($000)		FY 1986 thru March ($000)	
	Funding	Collections	Funding	Collections
Alaska	$ 51	—	$ 60	—
California	$337	$ 7	$325	$ 880
Colorado	$187	$ 762	$388	$1,344
Montana	$ 98	$ 43	$115	$ 14
Navajo Tribe	$ 90	—	$149	$ 50
North Dakota	$ 95	$ 259	$171	$ 104
Oklahoma	$ 60	$ 1	$ 82	—
Utah	$180	$ 1	$180	$ 59
Wyoming	$275	$2,789	$436	$1,896

Question: For some time North Dakota auditors have been tracking 450 leases located within their State. Indications are that substantial amounts of royalties have been unreported or under reported. Are you aware of the North Dakota tracking effort?

Answer: Yes, North Dakota has been comparing production data reported to the State with data provided by MMS.

Question: How do you plan to resolve the issue?

Answer: There are several steps to the resolution. First, a North Dakota representative financed by MMS under the Intergovernmental Personnel Act (IPA) Program is comparing the data maintained by MMS. Instances where a payor is not established in AFS for the lease being reviewed are referred to the MMS. MMS personnel contact the operator to identify the payor and update the AFS data base. If previous royalties have not been paid, the payor is also directed to submit payments retroactively.

Second, exception processing to identify nonrespondents (payors who do not report or pay in a particular month) will begin this summer. This process will monitor the payors to determine that the required reports and corresponding payments are submitted. Audits through the Section 205 contract with North Dakota will be used to determine if the proper amount of royalties was paid.

In addition, MMS is working with North Dakota to further utilize the IPA participant and Section 205 audit agreement in the collection of potential underpayments identified through the State tracking effort.

Third, while onshore Federal lease production is not included in the PAAS at this time, North Dakota compares production reported to the State with sales reported to AFS. The IPA participant is implementing a procedure to followup on discrepancies identified by the comparison. The procedure initially will be used on a test basis. Letters will be issued to the payors concerning the identified discrepancies. If the issue is not resolved through this process, a demand for payment will be sent to the payor through the Section 205 audit process. After the initial test of this process is completed, it will be expanded to include all of the leases in North Dakota.

Question: Several major oil companies have refused the Certified Public Accountants doing audits, under contract with the Department, access to records needed to conduct their audits. According to the Federal Oil and Gas Royalty Management Act (FOGRMA) 30 U.S.C. 1711, the Secretary is to audit and reconcile lease accounts. How can this be done if there is no access provided to the records of the lessee?

Answer: Lessees are required pursuant to the FOGRMA, Section 103, to "provide any information that the Secretary may, by rule, reasonably require for the purposes of implementing this Act or determining compliance with rules or orders under this Act." When it is determined that any record is necessary to conduct an audit, MMS will make every effort to obtain that record including penalty assessment under Section 109 of FOGRMA.

Question: What position has the Inspector General taken on this?

Answer: In cases involving refusal of records to auditors or contract auditors, the OIG refers the case to MMS with a recommendation that MMS secure the records and complete the audit.

Question: On March 30, 1984, the Inspector General wrote to the Assistant Secretary - Land and Minerals Management regarding the audit of Federal and Indian Oil and Gas Royalties paid by Chevron U.S.A. Inc., from January 1, 1977 through August 31, 1981. Chevron did not agree to provide records in support of natural gas liquid products royalty values and sales prices. The Inspector General said that they took "exception to this position. Any record relating to royalty value, production, and sales is subject to examination and liquidated damages should be assessed against Chevron for failure to provide records." What is the status of this problem?

Answer: Based on referral from the OIG, MMS has initiated an audit of Chevron's computed royalty valuations and sales prices for all natural gas liquid products. To date, Chevron has provided MMS auditors all data requested and has agreed to provide all data necessary to complete the audit.

Question: Was Chevron assessed any damages for its failure to provide records?

Answer: No. Before MMS can assess damages, the company must first refuse MMS access to the records. Chevron has provided MMS auditors with all requested data.

Question: It appears that the policy of the Department has changed because in an August 26, 1985, audit on Federal and Indian Oil and Gas Royalties paid by Atlantic Richfield Company, September 1, 1977, through August 31, 1983, the report states that "procedures outlined in the program were not performed for take-or-pay receipts as we were not allowed access to certain production information, receipt dates, or purchases information." Why hasn't the Department developed a policy for assessing penalties on companies that do not comply with the Department's need for access to records?

Answer: The MMS has developed an enforcement strategy to assess penalties when companies fail to comply with an MMS order to provide records. This strategy includes issuance of Notice of Noncompliance and civil penalties.

Question: How can an audit be considered complete when one is denied access to needed records?

Answer: An audit cannot be considered complete when access to records is denied. In such cases, the OIG recommends that MMS obtain the necessary records and conduct the audit.

Question: Do you plan to have auditors go back to the companies and perform the audits again?

Answer: The OIG and its contractors have not completed audits when denied access to records. The MMS has scheduled work to complete these audits.

Question: How many cases with open findings has the Inspector General reported to MMS for actions?

Answer: The OIG has reported 50 open findings to the MMS. Open findings are defined as those requiring MMS to obtain access to company records, review additional information, or conduct detailed review of specific problem areas. These findings cannot be billed until MMS completes this additional work.

Question: What is the status of the action on these cases?

Answer: These referrals are programmed into ongoing audit activities. MMS audit plans call for completion of this work by September 30, 1986. Upon completion of each audit, a report is provided to the OIG.

Question: On April 10, 1986, the Inspector General issued a report to the Secretary on the "Federal Royalty Management System, Fiscal Years 1984 and 1985." That report states that of the $151.6 million of reported potential underpayments, as of December 31, 1985, MMS collected only $38.7 million and assessed $2.1 million. What is the reason that the remaining balance of $110.8 million has not been acted upon?

Answer: Unresolved royalty audit recommendations are of two general types: (1) amounts derived from issues which were under some form of litigation, required a Solicitor's Opinion, or completion of royalty calculation procedures, and (2) estimated amounts, not related to "Type 1," which cannot be billed for collection until additional audit work is performed. These two types constitute the $110.8 million questioned. As previously noted, this additional audit work is scheduled for completion by September 30, 1986.

Question: One of the first audit reports issued in July 1981 was on El Paso Natural Gas. This audit determined that El Paso owed the Government $10.4 million. In September 1985 the MMS disallowed the finding and negated the assessment against El Paso Natural Gas. Why did it take 4 years to review and comment on the audit findings?

Answer: Based on the results of the OIG's audit report, Review of Royalties paid by El Paso Natural Gas Company on Natural Gas Removed from Onshore Federal and Indian Oil and Gas Leases, July 1981, the El Paso Natural Gas Company (EPNG) was ordered to pay royalties in accord with the audit report. Pursuant to 30 CFR 290, EPNG exercised its right to file an administrative appeal from the order with the Director, USGS. Jurisdiction over minerals management functions of the USGS were transferred to the MMS in January 1982. Involved in the transfer was jurisdiction over the subject appeal as well as many backlogged minerals related appeals which predated the EPNG appeal. In the process of disposition of the backlog of appeals and the in-depth technical consideration necessary to address the issues in this complex area, the EPNG administrative appeal decision was formally issued on August 27, 1985.

Question: How many more dollars identified by the auditors are going to be disallowed?

Answer: We are not aware of any additional OIG audit findings of the same nature, nor have MMS auditors developed any audit findings in this area.

Question: When the auditors did their reviews, did they use the proper guidelines and criteria?

Answer: The OIG stated in their audit report that the audit was to determine ". . . whether El Paso had computed royalties in accordance with Geological Survey manual requirements and directives, with Title 30 of the Code of Federal Regulations, Part 221, and with Title 25, Part 171." These cited criteria generally described the proper operating regulations and guidelines governing the calculation and payment of royalties on production from onshore oil and gas leases.

Question: Did the MMS provide the necessary valuation guidelines for the auditors to use? If not, why not? How do you expect the auditor to audit without criteria?

Answer: As stated in the response to the above question, the OIG addressed the proper operating regulations and guidelines governing the calculation and payment of royalties on production from onshore oil and gas leases. However, the OIG concluded in its audit report that additional royalties were due by applying the requirements of NTL-5 (Notice to Lessees and Operators of Federal and Indian Oil and Gas Leases) to production which occurred prior to the June 1, 1977, effective date of NTL-5. Because implementation of the requirements of NTL-5 had been on a prospective basis, in accord with the very provisions of the NTL, the conclusion of the OIG was found by the MMS to be at variance with the NTL. Consequently, the Director's decision affirmed the effective date of NTL-5 and the valuation methodology used by EPNG. Thus, EPNG was determined not to be liable for the alleged royalty underpayment of $10 million.

Question: According to 30 U.S.C. 1711(c)(1): "The Secretary shall audit and reconcile, to the extent practicable, all current and past lease accounts for leases of oil or gas and take appropriate actions to make additional collections or refunds as warranted." What is the current MMS policy for the reconciliation of the 22,600 Royalty Accounting System (RAS) balances?

Answer: The current MMS policy is to reconcile all remaining Indian lease accounts. To the extent practicable, unreconciled Federal lease accounts are reconciled as a part of ongoing and future audits. The RCD has reconciled approximately 5,400 RAS leases.

Question: Does the Royalty Compliance staff simply check the debits against the credits without insuring that the accounts are balanced?

Answer: No. The RCD staff reconciles the account as discussed below.

Question: What does "reconciliation" mean to MMS?

Answer: Reconciliation is the process of analyzing the debits and credits for a lease account to determine whether any missing or misapplied charges or payments appear or should appear on the account. Reconciliation is a means of confirming whether royalty computations, based on reported sales, agree with the royalty payments.

Question: What amount of staff are allocated to this task?

Answer: The RCD has allocated 13 staff years to reconciling the remaining Indian lease accounts.

Question: In light of the generally accepted belief that the RAS account balances are meaningless, why is MMS running the adding machine tapes on debits and credits?

Answer: Although the balances are generally not accurate, account reconciliation procedures have identified underpaid royalties.

Question: Will reconciliation disclose unreported royalties, under reported royalties, or under valued oil and gas?

Answer: A reconciliation can disclose unreported and under reported royalties. Generally, a reconciliation will not reveal instances in which oil and gas are undervalued. Valuation is addressed in an audit.

Question: Has the Chief, RCD, written an option paper on reconciliation? What is the status of that option paper?

Answer: The Chief, RCD, prepared a paper discussing several options for completing the reconciliation project. This led to an MMS decision calling for reconciliation of Indian leases on a priority basis and other leases as a part of future audits.

Question: What are the operation and maintenance costs going to be in FY 1986 and FY 1987 for the AFS, PAAS, and BRASS (Bonus and Rental Accounting Support System)?

Answer: The following chart shows the operation and maintenance costs ($000's) in FY 1986 and FY 1987 for the AFS, PAAS, and BRASS application systems.

(dollars in millions)

	FY 1986	FY 1987
AFS	$6.1	$4.4
PAAS	$1.3	$1.2
BRASS	$0.6	$0.8

Question: What manpower is necessary to operate these systems?

Answer: The following chart shows the contract manpower necessary to operate the AFS, PAAS, and BRASS application systems.

	FY 1986	FY 1987
AFS	127	110
PAAS	14	14
BRASS	6	6

Question: What are the maintenance and operation costs of the AFS while it is still on the VAX system?

Answer: The operation and maintenance costs of the AFS while it is still on the VAX computers are $4.4 million for FY 1986.

Question: What is the cost of the 5 month slip on the operation of the AFS system on the IBM mainframe?

Answer: As indicated elsewhere, the Department is charging the conversion contractor $5,441 per day in liquidated damages. This figure is based on an assessment of the cost to the Government for each day of delay. We believe this amount, extended to the 5 month period, fairly represents the cost of the delay.

Question: With the reduction in FY 1987 in the number of VAX systems which will be operating, why doesn't the budget reflect a significant decrease in manpower since the IBM mainframe will be less labor intensive?

Answer: While it is true that operating the AFS application software on the IBM will be less labor intensive, the inference that operating a large mainframe is significantly cheaper than operating six VAX minicomputers is somewhat misleading. The necessity to "hand hold" the AFS operation has been expensive. Computer analysts and programmers were busy performing operational tasks rather than enhancing the AFS software. Any "economies of scale" realized as a result of AFS operations on the IBM mainframe are earmarked for enhancing the AFS. The cost of AFS computer operations will be somewhat greater on the IBM. However, this additional cost provides several benefits important to RMP accounting and production systems users. For example, sophisticated restart/recovery features are now available on the IBM. Fully integrated data dictionary/directory facilities will improve documentation and maintainability, and new design and development tools available on a significantly faster computer have already drastically reduced the development effort of the State and Tribal Support System (STATSS). It should also be noted that the budget does reflect a decrease in manpower for the operatio and maintenance of the AFS in 1987.

Management Savings

Question: Discuss the management savings described on page 115 of the Justification. Where will the reductions in personnel occur?

Answer: Of the 10 FTE that will be reduced in the Outer Continental Shelf Lands Activity, 6 FTE will come from the Resource Evaluation Program, and 4 FTE will come from the Regulation of Operations Program. Of the 5 FTE that will be reduced in the Royalty Management activity, 3 FTE will come from the Mineral Revenue Collections subactivity and 2 FTE will come from the Mineral Revenue Compliance subactivity. Of the 3 FTE that will be reduced in the General Administration activity, 1 FTE will come from Executive Direction, 1 FTE will come from Procurement and General Services, and 1 FTE will come from a Field Administrative Service Center.

QUESTIONS SUBMITTED BY THE HONORABLE RALPH REGULA

Question: In some areas of Florida, I understand the "moving window" concept of opening certain areas for leasing for given periods, while closing others has met with some success. Does this concept have any viability in the California OCS?

Answer: The "moving window" concept referred to was a specific manner of accomodation to allow both OCS operations and Air Force activities to occur in the same areas of the Eastern Gulf of Mexico without significant interference with either Agency's mission.

It is a stipulated arrangement which has not been applied elsewhere on the OCS. As part of the ongoing discussions regarding California with the congressional team, we will evaluate this concept to see if it has any applicability to the California OCS.

Question: Have you had the opportunity to analyze the impact of falling prices on OCS activities?

Answer: MMS is currently analyzing the likely impact of falling oil prices on future OCS leasing, and monitoring the situation with respect to exploration and development activities.

For the purposes of developing the 5-Year OCS Leasing Program for 1987-1991, analysis is made of the economic development potential for OCS planning areas under different price assumptions. As a result of the recent significant price declines, we have conducted sensitivity analyses with lower price and cost assumptions. Results (at 1984 starting prices of $14 per barrel) indicate a sizeable decline in overall leasable resource estimates. However, the Gulf of Mexico and California OCS areas continue to have leasable resources even under these lower price assumptions. Results also indicated that the most severely affected areas would be the high-cost, high-risk frontier areas in the OCS.

Although these preliminary results are an important indication of lower economic potential in the OCS under lower price assumptions, it must be remembered that the program document analysis and scheduling options must cover a wide range of future price scenarios and a wide range of other considerations. It would be unwise to limit our planning for leasing in the period 1987 through 1991, and the associated exploration and production for the ensuing 30 years, by concentrating only on the situation in today's market.

The most immediate effect of the declining oil price is a postponement in oil and gas exploration and development activity. Counts of active U.S. drilling rigs are currently approaching historic lows. With lower current prices and uncertain future price expectations, energy companies can be expected to find fewer properties worth exploring and developing in the near-term. Price declines will result in a net decline in energy company revenues and thus have a direct negative effect on internal capital available for exploration and development while prices are low. Industry estimates of budget cuts for drilling and exploration indicate an overall 25 percent cut in 1986, after a 21 percent drop in 1985.

Question: Do you anticipate that the recent activity in Libya could begin to put upward pressure on oil prices?

Answer: We do not think it is possible to predict the price effects of recent activities involving Libya. Nonetheless, it is noteworthy that the Middle East contains most of the world's proved oil reserves and that the region is subject to national, religious, and international stresses which could well affect the price of oil.

Question: Given the lower oil prices, are there existing leases that are not being developed?

Answer: Price declines are expected to result in a net decline in energy company revenues, and thus have a direct negative effect on internal capital available for exploration and development. Industry estimates of budget cuts for drilling and exploration indicate an overall 25 percent cut in 1986, after a 21 percent drop in 1985. Further, increased uncertainty surrounding future price expectations increases the risks and reduces the potential profitability of certain exploration or development investments.

The declining oil prices are having an effect on current OCS drilling. As of April 18, 1986, total rigs working on the OCS were half the number operating at the same time a year ago--approximately 126 fewer rigs were drilling in OCS waters.

Budget cuts and reduced drilling will mean postponement in oil and gas exploration and development. Differing perspectives among companies concerning future price trends and differing company financial situations will ultimately determine which leases are explored and developed in the near-term.

We are unaware, however, of any existing discoveries which are economic to develop that are not being developed.

Question: Although prices are low and some might argue that low prices are a justification for not leasing, given the long lead-times, isn't it important to continue a leasing program?

Answer: Yes, it is very important. Our perspective on OCS leasing must be long-term because the lead-times needed to bring new offshore fields into production are substantial. Preparing to hold a lease sale is a 2-year process. Several more years are needed to evaluate leased tracts, determine whether drilling is warranted, and drill exploratory wells. The time elapsed from leasing to initial production can extend from about 4 to 13 years, depending on operating conditions in the different regions.

Another constraint on OCS leasing is the extensive exploration and development permitting process, which requires operators to obtain multiple Federal, State, and local permits.

Thus, the new 5-Year Leasing Program is designed to help meet domestic energy supply requirements during the 1990's and the first quarter of the 21st century. The oil prices that matter for planning the new 5-Year Leasing program are those projected for that period. The Energy Information Administration's Annual Energy Outlook 1985 projects that by 1995, oil prices could be in the range of $25 to $37 per barrel.

Question: Given the non crisis environment, wouldn't this be the best time to insure that the OCS is developed in the most environmentally safe way?

Answer: Regardless of the international or domestic situations which affect the availability of oil and gas, the Department of the Interior (DOI) is required by the Outer Continental Shelf (OCS) Lands Act, to promote the expeditious and orderly development of OCS resources subject to adequate environmental safeguards. In response to those requirements, the DOI has developed, with much Federal, State, and public input, operating regulations and orders, notices and information items to lease holders, and stipulations on leases which require operators engaged in exploring and developing the OCS to operate in a manner which protects the marine, coastal, and human environments. A stringent inspection program insures that all requirements are carried out in all phases of OCS operations. These environmental safeguards are in effect and enforced regardless of the pace of leasing or the size of the lease offering.

Question: Your budget proposes a $4.5 million cut in the Leasing and Environmental Program which you justify because of reduced activity. Looking at your budget justification on page 30 and 31, however, it would appear that your major leasing and environmental activities are estimated to be up considerably over FY 1986. How then do you justify this reduction and why does your budget mention reduced activity?

Answer: The budget cuts ($4.2 million) are associated with the reductions in the Environmental Studies Program where savings are achievable without damage to the program. Fewer new studies will be initiated in FY 1987 and one-time mandated study costs in FY 1986 need not be refunded in FY 1987. The small savings of $291,000 and the reduction of 8 FTE (about 2 percent) below the FY 1987 base should not affect program output. While the activity chart does show increases as well as decreases between 1986 and 1987, it is proper to compare the 2 years in terms of an overall reduction in workload because of the nature of the changes and the considerable savings achievable through planned organizational efficiencies such as the transfer of personnel and functions to those areas where the workload is greater.

Question: Why are you estimating that activity in oil spill risk analysis will be down?

Answer: The number of oil spill risk analyses (OSRA's) performed is related directly to the leasing schedule. The OSRA is generally initiated 3 to 4 months prior to initiation of preparation of the Draft Environmental Impact Statement (DEIS). The decrease in the number of OSRA's reflects a decrease in number of DEIS's to prepare for during the relevant time period.

Question: Your budget says that SCCCAMP will be completed in FY 1986. My recollection was that it would require funding beyond FY 1986. Is the SCCCAMP project complete or does your budget just propose no further funding?

Answer: In FY 1986, only the SCCCAMP data archive and data analysis tasks were planned. These tasks will be completed with FY 1986 funding, although the work will continue into FY 1987. The SCCCAMP photochemical model evaluation was included in the MMS Pacific Regional Studies Plan for FY 1987 and is the top priority study on the National Studies List. The progress of that portion of the program is dependent on the outcome of the first two tasks, so a completion date is uncertain.

Question: What is the status of SCCCAMP and what are the results thus far?

Answer: The SCCCAMP field work was completed in September - October 1985. The field manager is in the process of collecting all data and reports from the various contractors responsible for field data collection. All data and reports are to be received by the end of May 1986. The RFP for production of a data archive for SCCCAMP was issued on March 26, 1986. A contract for this work will be awarded this summer. It is anticipated that the archive production will require 8 months to complete. A contract for the SCCCAMP data analysis task is scheduled for award in Fall 1986. Final results of the SCCCAMP will not be available until the data analysis has been completed. Examination of preliminary information now available indicates that the SCCCAMP field monitoring was highly successful. Significantly more and better data are now available to evaluate the effects of offshore oil and gas activities on onshore air quality as a result of SCCCAMP monitoring.

Question: Your budget justification (page 33) says a post-SCCCAMP photochemical model evaluation will be conducted in FY 1987. Is there money in the budget for this?

Answer: The estimated cost for the SCCCAMP photochemical model evaluation is $600,000. The MMS National Studies List for FY 1987 includes this as the No. 1 priority at a funding level of $220,000. Incremental funding of approximately $380,000 will be required in FY 1988. Most of the model evaluation work will be conducted in FY 1988 after completion of the data archiving and data analysis tasks.

Question: What is this model designed to show?

Answer: The model is a tool used to predict the incremental contribution from OCS facilities and other sources on the onshore ozone concentrations in the Santa Barbara/Ventura air basin. The model will also provide information on the effectiveness of control strategies in the air basin to reduce ozone concentrations and to provide for the attainment of the National Ambient Air Quality Standards.

Question: Page 32 of your budget justification says that particular emphasis is being placed on air quality; yet, your FY 1987 budget proposes a $1.5 million cut in the area of air quality. Given the fact that air quality appears to be one of the most serious concerns in California, should we be cutting this area?

Answer: In FY 1986 there was a large one-time budget allocation for California air quality (SCCCAMP) of $1.5 million. The scheduled contractual effort was completely funded. The MMS has budgeted $220,000 in FY 1987 to initiate SCCCAMP photochemical model evaluation, and sees no need for additional FY 1987 funds. We are, however, proceeding with a process of developing air quality regulations through a negotiated rulemaking process involving all interested groups.

Question: You propose to reduce funding for data acquisition in the Alaska Region. Is not this one of the areas of highest energy interest, and if so, why the cut?

Answer: Alaska has always been the largest component of the Environmental Studies budget. Until recently, Alaska accounted for about 50 percent of the annual studies expenditures. The present level is around 40 percent. Through Fiscal Year 1985, the Minerals Management Service has spent approximately $196.6 million for Alaska studies out of a total budget of over $400 million. The high expenditure for Alaska can be attributed to the need to cover such a large area, the paucity of environmental data, and the high cost of arctic surveys.

Since 1975, we have collected a considerable amount of data and are now able to answer many of the lease management questions. Most of the planning areas have experienced at least one sale. Exploratory drilling in the Gulf of Alaska and the Bering Sea have not produced any commercial finds of hydrocarbons. Industry interest is depressed and several recent sales have been delayed or cancelled. There are discoveries in the Beaufort Sea, but near term development is uncertain. For these reasons, there has not been a rapid increase in studies related to development and production activities. At the same time, studies related to prelease activities continue to decrease as the available body of knowledge increases.

Question: Could you elaborate on your inspection program. I understand there has been a recent GAO report which is somewhat critical of the inspection program. Could you address those concerns?

Answer: By law, the MMS must perform a scheduled onsite inspection at least once a year of each facility on the OCS which is subject to any environmental or safety regulation. Additionally, the MMS is required to perform periodic onsite inspections without advance notice to the operator of such facility to assure compliance with such environmental or safety regulations. This is the basis for the MMS inspection policy. Inspection personnel perform inspections of lessee's facilities using the potential incidence of noncompliance (PINC) list. The National PINC List is a compilation of all the MMS oil and gas operating regulations and orders put into the format of "yes/no" questions. A "no" answer to any question indicates a violation. For each violation, there is a pre-determined enforcement action, either a warning or shut-in, depending on the severity of the violation. All shut-ins must be corrected before the MMS allows the operator to resume operations. The General Accounting Office (GAO) Report titled "Offshore Oil and Gas - Inspection of Outer Continental Shelf Facilities" was somewhat critical of the management control over the inspection program and the inconsistent application of the program between the MMS regions. However, a careful reading of the report reveals that it deals enthusiastically with the MMS efforts to strengthen the management of the program. Up until 1982, there was no entity solely responsible for managing the OIP. In 1982, the Offshore Inspection and Enforcement Division of the MMS was created, and in 1983 undertook a nationwide restructuring of the program. This effort is discussed in more detail in our response to a previous question. In summary, the MMS efforts to improve the inspection program by creating a strong headquarters management program with documentation and an internal review function will alleviate those concerns raised by GAO. The GAO report concluded with no recommendations for improvement.

Question: Generally, what have MMS inspectors found? Is the compliance rate a good one on OCS operations?

Answer: During FY 1985, the MMS performed 4,871 production inspections and cited 3,744 violations for a ratio of 0.8 violations per production inspection. A total of 5,479 drilling inspections were performed and 928 violations were cited for a ratio of 0.2 violations per drilling inspection. In production inspections, warnings were issued for 43 percent of the violations and shut-ins were ordered for 57 percent. In drilling inspections, warnings were issued for 64 percent of the violations and shut-ins were ordered for 46 percent. The most common violation during FY 1985 in production inspections was for fire fighting equipment and fire and discharge prevention equipment. Other types of production inspection violations detected involved safety and pressure valves on wells, pipelines, pumps, compressors, and atmospheric vessels; safety in welding operations, and temperature and relief valves. In drilling inspections, the most common violation detected was for discharges and discharge prevention equipment. Other types of drilling inspection violations detected involved electrical and fire-sensing equipment and welding practices; installation and testing of casing; and hydrogen sulfide monitoring equipment. The MMS feels that the compliance rate is good, but the goal of the inspection program is to attain a lower violation rate and therefore a better record of compliance.

Question: You do technology assessment and research. Generally, what is the state of technology with respect to Outer Continental Shelf (OCS) operations?

Answer: The Technology Assessment and Research (TA&R) Program of MMS provides an independent assessment of the level of the technology in the industry and the status of the science and technology which exists apart from it. In addition, it provides a mechanism for close engineer-to-engineer communication, and in some projects, co-management. Having this window on the industry, MMS can analyze and compare open literature, operational hardware, and the opinions of the industry engineers against its own analyses. The status of the OCS technologies is sound. We consider the companies to use the best commercial practice in the design and manufacture of their structures and equipment. But as they are moving into the frontier areas of the ice-infested and deep oceans, they are using new concepts and materials. Listed below are several examples of problems for which the engineering practice needs to be confirmed by both industry and MMS.

1. Tension Leg Platforms (TLP): The restraining properties of tensioned pile foundations which will be used to hold the TLP in place are under investigation. The capacity of driven tension piles under cyclic loads was determined by a joint industry-government study to be less than previously believed. This study led to the development of new design guidelines and the testing of alternate installation methods using drilled and grouted piles.

   The tensioned legs, or tendons, of TLP's probably will have to use high-strength steels in a highly-loaded condition in order to save weight. Some of these steels when highly loaded in tension in seawater exhibit a brittle fracture condition known as stress corrosion cracking. the MMS and industry are engaged in research to determine the extensiveness of this condition to steels which will probably be used in these structures.

   The inspection of TLP tendons (tensioned legs) for cracks, especially at the welded joints and threads, appears to be very difficult and the government and industry are cooperating on relevant research leading to an acceptable inservice inspection technique.

2. Floating Production Systems: Concepts which will make use of converted semisubmersible drilling rigs are being proposed. One of these concepts proposes a free-standing, large-diameter compliant riser assembly which contains buoyancy material to support a number of production risers. This riser assembly reaches up from the ocean floor, over 1,500 feet in depth, and may be subjected to high ocean currents in excess of 2 knots. The concept is not well established and a need exists to investigate the system's dynamics and its interaction with the floating structure.

Question: Is technology sufficient to insure a safe OCS program in California?

Answer: Yes. Additionally the offshore industry is using the Best Available and Safest Technologies (BAST) by complying with the MMS Outer Continental Shelf orders and approval stipulations.

Question: Your budget mentions technology gaps. Have these gotten smaller in recent years?

Answer: For present day operations, the gaps have gotten smaller in the past several years or so. For example, in the Arctic, the strength of pack ice and the loads it impresses against structures subjected to it are better understood; in deepwater, drilling has been demonstrated safely to 7,000 feet. As this knowledge is gained, the technology moves forward to make use of more economical operations. The solutions in many respects require a higher level of technological understanding than that which has been required to date. For example, traditional structural steels are tough, strong, and crack resistant; however, for certain deepwater usage, especially with buoyant platforms, stronger steels will be required. These steels are less forgiving in usage and are susceptible to brittle fracture conditions which do not affect traditional steels.

Question: What are the technology gaps?

Answer: Examples of these gaps are noted in the questions above. One additional gap which should be noted is the ability to obtain downhole information, while drilling, at speeds high enough to sense and feel potential blowouts. This technology is especially applicable in deepwater drilling into overpressurized formations. The MMS is working on the problem with industry support. There are other problems which are being worked on and some, such as drilling and production in hydrates (frozen water and gas), which are not yet defined.

Question: Could you elaborate on your testing of oil spill conditions?

Answer: To evaluate technology, equipment, and procedures for collecting spilled oil, realistic testing must be accomplished. In essence, all forms of oil mitigation need to be evaluated and documented in various sea states; and in some cases, in broken ice conditions, or in the case of dispersants in various sea and temperature conditions. The interagency committee of U.S. and Canadian Government Agencies (known as OITC) is developing a three-phase test program as follows:

Phase 1, evaluation equipment in the large Oil and Hazardous Materials Simulated Environmental Test Tank;

Phase 2, evaluation of equipment and procedures at sea under various conditions; and

Phase 3, for certain bench-mark testing, the verification of performance under conditions of spilled oil. An intentional oil spill test is being developed in conjunction with the Canadians.

Question: Your budget mentions MMS becomming increasingly involved in pioneering efforts in a number of complex technologies as exploration and production moves further offshore into deeper and more hostile environments. Could you elaborate on this? How does the U.S. OCS compare with conditions in the North Sea?

Answer: Several of these complex technologies are discussed in reply to the above questions. Comparing the North Sea countries and the United States with regard to operations has both similarities and dissimulation. The primary North Sea problem is rough water and in future years will be deepwater, i.e., 800 - to 1,500 feet and deeper. The Gulf of Mexico and Pacific areas have more benign sea conditions, however, certain areas of the North Atlantic, the deep Bering Sea, and the Gulf of Alaska are rough.

The U.S. OCS has to contend with drifting multiyear sea ice in Alaska, mud slides in the Gulf of Mexico and California, seismically active areas in California and Alaska, and hydrate formations (frozen gas and water) in the Green Canyon off the Gulf of Mexico. As exploration moves further offshore into deeper waters, new platform concepts emerge and the drilling operations become more sophisticated. In this latter respect, the MMS project for obtaining information at the point of the drill bit while drilling illustrates the complexities with which the MMS program is working. The MMS-sponsored study developed a technique for data telemetry through the drilling mud in a drill string at a speed ten times faster than current forms of "mud pulse telemetry." This speed provides the possibility of receiving pressure and other down hole information in a timely manner to sense blowouts and maintain well control. In essence, by use of online pressure information, assisted by computer control surface chokes, it appears possible to continuously "feel" botton-hole conditions. This is a problem in deep ocean drilling where the operators at the surface are thousands of feet above the blowout preventers on the ocean floor.

Question: What will the decrease in oil prices do to the rate at which work on enhanced recovery operations will progress in FY 1987?

Answer: There are currently 10 natural gas liquid (NGL)-type enhanced oil recovery projects of a commercial scale in progress on the Outer Continental Shelf. These projects are expected to be continued at the lower oil prices because the investments have already been made. Five carbon dioxide-type and seven NGL-type enhanced oil recovery projects are in either the planning or pilot stage. However, analyses by two separate companies indicates that projects such as these are not expected to proceed to a commercial-scale operation until oil prices rise to $16 to $22 per barrel. The conclusion is that enhanced recovery projects not yet operational will remain dormant until oil prices increase substantially.

Question: If the so called "Buy American" amendment for OCS rigs, platforms, vessels or other structures were enacted, would there be additional costs to MMS for administering and enforcing the "Buy American" requirement?

Answer: If enacted, the "Buy American" amendment could be expected to require the Department to request increased staffing and funding levels to administer and enforce the provisions as contained in current congressional reports. The extent of these added costs could be accurately estimated only after a thorough review of the final provisions included in the amendment.

Question: Have you made any estimates about these costs or of how MMS would administer the provision?

Answer: The Department and MMS have not yet made any specific estimate of the administrative and enforcement costs. They are likely to be quite significant however, because of the complexities involved in building offshore facilities and equipment. Past experience with foreign built structures has indicated that they have been fabricated in part with "owner furnished" American material and equipment and foreign material. In addition, some structures have been fabricated abroad and have had their decking, foundations, equipment, etc., fitted in the U.S. Other complications arise if, for example, material is shipped abroad, fabricated there, and erected in the U.S. Even American built structures are likely to have in them foreign material, fasteners, fittings, etc. A fair amount of study would, therefore, be required to enforce and regulate the provisions of a "Buy American" amendment.

Question: On page 62 of the Justification, it states that due to a reduced budget in FY 1987, analyses of subject areas will be less intensive, distribution will be reduced, and MMS's independent confirmatory research will be decreased but efforts will be made to maximize participation in industry projects. Discuss the impact of these actions.

Answer: To reduce costs, TA&R studies are directed more at near-term industry developments such as the Tension Leg Platform and the Placid Floating Production System, both of which are the first of a concept application for the deep water (1,500 feet) in the Gulf of Mexico. Both of these structures are scheduled for installation in less than 2 years. In addition to the near-term programmatic areas, most TA&R analyses will be reduced in scope (smaller contracts) and, where possible, jointly funded. Participation in proprietary investigations permits MMS and the oil companies to both proceed with their research, and they insure that the MMS is aware of technology developments in the proper lease-operations sequence. Even with a reduced budget, however, we are still able to participate in important studies such as oilspill collection technology. (See answer to the following question.)

Question: What industry projects are envisioned for FY 1987 which MMS will participate in?

Answer:

1. Integrity of Arctic Concrete Structures.

Joint MMS/industry project to test and analyze the reliability of Arctic concrete structures to resist large concentrated (punching shear) loads which result from moving pack ice. (Third year, MMS and 5 companies).

2. Seafloor Seismic Study.

Joint MMS/industry project to obtain seafloor earthquake data for a seismically active area off southern California (MMS, DOE, Shell; one station installed in ocean).

3. Measurements of Ice Pack Forces Against Arctic Structures.

Joint MMS/industry project to obtain field measurements of *in situ* ice loads against the SSDC (an arctic drilling platform), which result from the movement of pack ice. (MMS and several companies, second year).

4. Tension Leg Platform Tendon Inspection

Joint MMS/industry project to assess the reliability of TLP tendons (tensioned legs) and to ascertain inspection intervals and methodologies. MMS, USCG, Conoco, and three other companies).

5. Oil Spill Collection Technology

Four projects are planned in cooperation with the Environmental Protection Service of the Canadian Government which, in turn, will involve industry. These projects pertain to the igniting of oil slicks from the air by means of lasers, the physics of burning oil on water, the large scale evaluation of an oil spill boom in the open ocean using oil, and the development of an oil spill collection boom for fields of broken ice.

TUESDAY, APRIL 29, 1986.

OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS

WITNESSES

RICHARD T. MONTOYA, ASSISTANT SECRETARY

FRANK X. SOLOMON, DIRECTOR, TECHNICAL ASSISTANCE

DAVID H. HEGGESTAD, BUDGET OFFICER

LARRY MORGAN, DIRECTOR, LEGISLATIVE AFFAIRS

ANTHONY ITTEILAG, DIRECTOR OF BUDGET, DEPARTMENT OF THE INTERIOR

JANET J. McCOY, HIGH COMMISSIONER, TRUST TERRITORY OF THE PACIFIC ISLANDS

Mr. YATES. Mr. Montoya, would you like to come forward with whomever you want to buttress your testimony.

This is the hearing on the budget for fiscal year 1987 for the Office of Territorial and International Affairs.

Supporting the budget is Mr. Richard Montoya, Assistant Secretary; Mr. Solomon, Director of Technical Assistance; Mr. Heggestad, Budget Officer; Mr. Morgan, Director of Legislative Affairs; and Mr. Itteilag.

Mr. Montoya has a statement which may go into the record at this point to be followed by the statement of Ms. McCoy, the High Commissioner for the Trust Territory.

Ms. McCoy, where are you? Why don't you come up here and sit where we can talk to you.

I take it that in the years that you have been coming up here to tell us the story of what is happening out in the Trust Territory and in the Islands not everything is all settled and calm and peaceful and your story will be one of progress now that you are going to relate it.

Mr. Montoya, the microphone is yours.

OPENING REMARKS

Mr. MONTOYA. Thank you, Mr. Chairman.

It is a pleasure to be before you again. In the intervening year since we last met to talk about fiscal year 1986, much has been accomplished in the Territories that I am very pleased with. One of the things we have accomplished is we are about to finish up our staffing of the Territories whereby we will have a field staff consisting of one representative on each island.

My representative in the Virgin Islands is Mr. Bob Bunn. In American Samoa it is Mr. Dale Jones, and in Guam it is Mr. Tony Palomo. Mr. Palomo was a member of the Legislature of Guam so he brings to us a good understanding of the Legislature of Guam and being a Guamanian, I am pleased to have him out there.

Shortly, we will be hiring an individual to be my field representative in the Northern Marianas.

During the past year. we have continued to concentrate on water, Mr. Chairman, for water is essential as we all know to growth and prosperity and improving the quality of life of the islands.

In the request that we have made to you, we are requesting $71,529,000 in territorial administration. In this time of budget austerity and Gramm-Rudman-Hollings, I feel that the Territories have fared rather well.

We have requested $3.5 million for water transmission lines in Guam.

For American Samoa, we have requested a total of $23,506,000; $20,776,000 is for Government operations and $2.7 million for construction. That includes improvement of the Tafuna industrial park for $630,000, which we feel will enhance their revenue-producing capability $1,050,000 for water projects; $750,000 for improvement to their prison facility; and $300,000 for a study of Pala Lagoon.

For the Virgin Islands, we are requesting $2.9 million to finalize the next phase of a job that was started in improving their water system. This would be on St. Thomas. We talked last year about 70 percent of the water being lost through leaks in the water system.

We feel that this $2.9 million will complete that phase and bring in anywhere from three to four million dollars in additional revenue to the Virgin Islands.

For the Northern Marianas during this past year we have consummated——

Mr. YATES. Will that completely repair the water system?

Mr. MONTOYA. Yes, sir. In the intervening year, we have negotiated a multi-year funding agreement with the Northern Marianas.

Mr. YATES. Let me ask you a question going back to the water system. Is this a matter of repairing the system or of installing a new one?

Mr. MONTOYA. This is replacing existing lines that have sprung numerous leaks.

Mr. YATES. I see. So it will be in very good shape after you are all through?

Mr. MONTOYA. That is our opinion.

Mr. YATES. Okay.

Mr. MONTOYA. For the Northern Marianas, we signed a recommendation to the Congress on a new seven-year funding arrangement through a covenant mechanism. We are requesting $35,344,000.

In territorial administration, we are requesting $6,271,000, which represents a five FTE increase for the Office of Territorial and International Affairs; $2.2 million in technical assistance; and $1.6 million for the Guam Power Authority loan assistance.

This was voted on last year and this would represent the difference between the prime rate and the rate that is being charged to the Guam Power Authority.

The Compact will provide for $144,270,000. This should be the last year of the Trust Territory Government—we are requesting $13,050,000 for a total request of $228,849,000, Mr. Chairman.

[The statement of Mr. Montoya follows:]

STATEMENT OF RICHARD T. MONTOYA
ASSISTANT SECRETARY, TERRITORIAL AND INTERNATIONAL AFFAIRS
DEPARTMENT OF THE INTERIOR
BEFORE THE
HOUSE SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES APPROPRIATIONS
April 29, 1986

Mr. Chairman and Members of the Subcommittee:

I am pleased at the opportunity to appear before you to discuss the President's fiscal year 1987 budget for Territorial and International Affairs.

This years' budget request reflects dramatic changes from prior budgets. We are finally reaching the point of implementing Compacts of Free Association for the Micronesian governments and, through a transition process, closing down the Government of the Trust Territory of the Pacific Islands. I will discuss this in more detail later in my statement, but would like first to turn your attention to our budget for the U.S. Territories.

Administration of Territories

For the Administration of Territories, we are requesting $71,529,000. Given the expressed desire of both the Administration and this Congress to reduce the Federal deficit, I believe this request is appropriate and one that I am proud to support. The U.S. Territories of Guam, American Samoa, the U.S. Virgin Islands and the Northern Mariana Islands have fared well in this year's budget process. This request is fully consistent with and complementary to our program of seeking out and implementing new ways to improve the overall efficiency of government operations; reduce the size of governments through privatization; and promote economic development and real growth in the territorial economies through diversification of the economic base.

Guam

For Guam, we are requesting $3,500,000 for improvements to the water distribution system. We continue to recognize poor water distribution as the primary infrastructural hindrance to economic growth in Guam, and to improving the quality of life for rural residents. Through our technical assistance program we are continuing to fund a Bureau of Reclamation engineer stationed in Guam who is working closely with the Public Utility Agency of Guam to improve the water systems.

Guam currently is experiencing an economic boom unprecedented in its recent history. Construction activity in 1985 doubled and was greater than the combined levels achieved in 1981 through 1983. Unemployment also continued to decline for the third straight year. These statistics indicate that Guam is facing a unique opportunity. Properly managed the benefits of this economic growth could lead to continued economic prosperity for Guam.

I am pleased with the initiative recently taken by Guam to prepare a Deficit Elimination Plan. This plan is designed to eliminate Guam's $90 + million deficit over the next 5 years. Privatization and improving the efficiency of the government through cost containment measures are basic tenets of the plan. I hope the Guam legislature shows initiative in their deliberations on this plan.

American Samoa

For American Samoa, we are requesting $23,506,000. This includes $20,776,000 to support government operations and $2,730,000 for capital improvement projects.

This is the third consecutive year that we have requested no increase in the operations grant. We do not believe this imposes a hardship on the people of American Samoa, but rather it reflects the Federal and local governments' mutual dedication to achieving greater efficiency in government and increased self-reliance and continuing the privatization program to expand the private sector and reduce the size of the government. I am committed to continuing my close working relationship with Governor Lutali and providing him a full range of assistance to ensure the success of these programs.

We are requesting $630,000 to help expand the Tafuna industrial park. The Tafuna area is centrally located in American Samoa, is near the Airport and is ideal for future economic growth and new development. The funds requested will not complete development of the industrial park; however, they should help generate new revenues, which in turn can be used for further expansion. In addition, the Economic Development Administration has also expressed an interest in contributing funding for this project.

Like the other territories, American Samoa needs to improve the efficiency and quality of its water system. We are requesting $1,050,000 for several improvements that must be made immediately to the system. The total cost to complete the water master plan ranges between $8 million and $10 million. We will continue to support additional improvements to the system as long as American Samoa continues its efforts to improve the accountability for water in the system and collections of billings to water users. This combined effort is the only way to ultimately resolve water system problems and provide the revenues necessary for normal maintenance and future improvements.

A matter of immediate concern in American Samoa is the poor condition of the Tafuna Correctional Facility. I have toured this facility and can attest to the need to make improvements. Current conditions represent a threat to the health and safety of both inmates and the general public. We are requesting $750,000 to help correct this problem.

Finally, we are requesting $300,000 to perform an engineering feasibility and environmental study of Pala Lagoon. Pala Lagoon lies adjacent to the Tafuna plains, which I have already mentioned as the most promising site for economic expansion. Development of a deep water port would be a tremendous boon to economic development. It could also relieve congestion and overcrowding at the existing port and eliminate a potentially serious safety hazard created by the current location of oil and gasoline storage tanks adjacent to the downtown port area. However, this project presents major engineering and environmental issues that must be addressed before any kind of construction or construction financing can be considered. These funds will be used to perform the required analyses and help American Samoa resolve these issues.

Northern Mariana Islands

For the Northern Mariana Islands, we are requesting $35,344,000. This amount represents the second year's funding as agreed to with the Northern Mariana Island's government during negotiations on a second seven-year funding agreement. Approval of this funding agreement is pending before the Congress and I have testified on several occasions as to the necessity of enacting the agreement as soon as possible without substantive changes. We, very soon, will undertake formal discussions with representatives of the Northern Mariana Islands Government on various non-financial issues that the Northern Mariana Islands Government has indicated need to be addressed as provided under the Covenant. I have been appointed by President Reagan as his Special Representative in these discussions.

The Northern Mariana Islands, like Guam, stand on the threshhold of an economic boom. This economic growth must be managed in such a manner that the island residents become the beneficiaries and not the victims of this development. We believe the new agreement helps to provide such a framework by giving the government greater control in directing this growth through its Commonwealth Development Authority and by encouraging a more efficient government and a shifting of people out of the public sector and into the private sector.

An area that continues to be of great concern to me is the large influx of alien labor that is accompanying the boom. I fear that if this stampede is not controlled, the benefits and the economic future of the Northern Mariana Islands and other similar Pacific regions may end up in foreign hands.

U.S. Virgin Islands

For the Virgin Islands, we are requesting $2,900,000 to improve the water distribution system in Charlotte Amalie. We believe this project is critical to an island economy dependent to a large extent on the tourism industry. It is also crucial to the health of residents and visitors.

During the past year, we have been much more involved in providing direct assistance to the Virgin Islands. This has been undertaken at Governor Luis' request with support from the legislature in an attempt to control the rising deficit in the Virgin Islands and to improve government efficiency, particularly in the areas of financial management and computerization. I am pledged to continue this support and commitment. However, the ultimate responsibility for making the necessary and tough decisions remains with the Virgin Islands government.

Territorial Administration

For our own administrative costs, we are requesting $6,279,000. Of this total, $2,473,000 is for salaries and expenses of office staff. I am particularly proud of the field representative positions we have created over the past two-and a-half years. During the past year, we selected Tony Palomo, a Guamanian, as our representative in Guam. He joins Bob Bunn and Dale Jones who have been representing us in the Virgin Islands and American Samoa, respectively. We will be choosing a representative for the Northern Mariana Islands in the next few weeks. This selection will complete our field staff in the U.S. Territories.

We are also requesting $2,200,000 for the technical assistance program. I have alluded several times throughout this statement to our pledges of assistance. The technical assistance program is the key ingredient to the successful implementation of our policy. I believe that this request is sufficient to meet all of our major program objectives and is one of the best investments we can make in the territories.

Finally, we are requesting $1,606,000 to pay the interest rate subsidy to the Federal Financing Bank for their loan to the Guam Power Authority. The request is equal to the scheduled payments required in fiscal year 1987, but some of the funds will be used to pay off the balance owed on fiscal year 1986 payments because of cutbacks required by the Gramm-Rudman-Hollings legislation. We are working within the Department to seek a resolution to this problem.

Trust Territory of the Pacific Islands

Our budget request of $13,050,000 for the Trust Territory is smaller than in prior years because funding for the Federated States of Micronesia and the Republic of the Marshall Islands is being requested under a new appropriation account for the recently enacted Compact of Free Association.

Our request for the Trust Territory includes $10,600,000 for continuing operational support to the Republic of Palau. Recently, the people of Palau approved their version of the Compact, which is now pending Congressional action. Upon enactment, we will amend our budget to reflect Compact funding for Palau.

The budget request also includes $2,450,000 for administrative costs of the Trust Territory Government. This request is also subject to amendment if all three governments are under Compact in FY 1987. Even so, we still foresee the need for some funding to provide for transition and close-out of the Trust Territory functions.

The fiscal year 1987 budget request for the Trust Territory does not contain funding for the resettlement of Bikini. As you know, the March 1985 settlement agreement negotiated and signed by the United States and the Bikinians, reaffirms the United States commitment under the Compact to provide funds for the resettlement of Bikini. However, the agreement also sets forth certain events that must have taken place prior to the United States implementing the Compact provisions. These events include the submission of a final report by the Bikini Atoll Rehabilitation Committee, acceptance of the report by the Bikinians, and development of a resettlement plan by the United States in consultation with and acceptable to the Bikinians. Since these events have not yet taken place, no funding has been requested for this purpose in fiscal year 1987. I assure you that this in no way indicates that we do not intend to honor this commitment at the proper time. The fiscal year 1986 appropriation provided funding and directed the Secretary of the Interior to contract for the initial design and planning for a base camp on Eneu for the cleanup of Bikini. The Bikini Atoll Rehabilitation Committee report of March 31, 1986, again stated that the island of Eneu is safe for resettlement. As a result, the Department, very shortly, will issue an announcement of a Request for Proposals for design and planning of the Eneu base camp. This action is being taken after consultation with the Bikinians, the Bikini Atoll Rehabilitation Committee, and members of the subcommittee staff.

Compact of Free Association

The FY 1987 request for the Compact of Free Association is $144,270,000. Although this amount represents the second-year's funding for the Federated States of Micronesia and the Republic of the Marshall Islands, the Compact will not be implemented until the fiscal year 1986 supplemental appropriation is passed. Therefore, we cannot report to you on accomplishments or problems associated with the Compact as we will do in future budget presentations.

Of the total request, $116,350,000 is estimated for permanent indefinite appropriation. This represents payments to be made to the Freely Associated States that are backed by the full faith and credit of the United States. Capital account funding will provide for the implementation of Economic Development Plans prepared by the governments and approved by the United States. Current account funding will help support on-going government operations. These funds are adjusted each year for the effects of inflation according to a formula developed in the Compact negotiations.

In addition, the Marshall Islands receives a guaranteed annual payment of $1,900,000 to offset the impact of United States military activities in the Kwajalein Atoll area.

Both governments also share in guaranteed annual funding of $5,370,000 for post-secondary scholarship programs, medical referral costs, other medical and health-care expenses and costs associated with maritime surveillance and enforcement programs.

For annual appropriations, which are not subject to the full faith and credit provision, we are requesting $27,920,000. This includes $10 million in program grant assistance to help fund government activities in the education and health-care areas, based on the priorities of the respective governments. The remainder of $17,920,000 represents continuing services provided by Federal departments and agencies. This includes diplomatic training at the Foreign Services Institute; continuance, until completion of their academic term, of student grants at post-secondary institutions which were in effect on the effective date of the Compact; and direct services provided by the U.S. Postal Service, the National Weather Service, and the Department of Transportation.

That concludes my statement, Mr. Chairman. I will be glad to answer your questions or discuss any of these issues in more detail.

OVERVIEW OF TRUST TERRITORY

Mr. YATES. Well, all right. What about Ms. McCoy? Did you want to give us an overview at this time?

Ms. McCOY. I would be happy to.

My statement has already been entered for the record.

Mr. YATES. Yes.

Ms. McCOY. It is nice to be back and facing it as if maybe this will be the last time that I will have the privilege of appearing before you. I think we are moving right along with transition as smoothly as we can, still keeping in mind that we have responsibilities that must be carried out until the compact is firmly in place and the trusteeship is finally terminated.

The budget recommendation——

Mr. YATES. Are the representatives of the Islands as happy about the prospect as you seem to be?

Ms. McCOY. I think so. They have been negotiating this for 16 years and, I think, it is kind of nice to figure the light at the end of the tunnel isn't a train. The majority of the $13 million budget that we have come in with, of course, is for Palau. Palau remains within our budget and will remain so until action is taken on their Compact.

So the breakout of that, of course, is primarily for Palau, $10.6 million for operations. As far as our own operations are concerned, we are down now to where we said we would be.

If you recall, last year we told you we had a temporary termination plan. I am proud to say we have hit that right on the budget. So we think we are in good shape, sir.

Mr. YATES. Good. Are you through with your statement?

Ms. McCOY. Yes, sir.

[The statement of Ms. McCoy follows:]

STATEMENT OF
JANET J. MCCOY, HIGH COMMISSIONER,
TRUST TERRITORY OF THE PACIFIC ISLANDS
Before the
HOUSE SUBCOMMITTEE ON INTERIOR
AND
RELATED AGENCIES APPROPRIATIONS
April 29, 1986

Mr. Chairman and Members of the Subcommittee:

It is indeed a great pleasure and honor to appear once again before this Subcommittee to discuss the Trust Territory's appropriation request for fiscal year 1987. With me today are Eloy Inos, our Director of Finance and Administration, and Charles Jordan, our Director of Capital Improvement Programs.

A year ago today, I appeared before this Subcommittee and testified on the Trust Territory's appropriation request for fiscal year 1986. In my testimony, I briefly reported the progress of our administration in the Trust Territory and apprised the Subcommittee on the status of our transition efforts as we near the termination of the Trusteeship administration. Today, I am proud to report that the objectives we set a year ago have been met and substantial progress is currently underway to enhance the final stage of our administration efforts. Before I discuss the fiscal year 1987 budget, please permit me to report on current developments in the Trust Territory.

Capital Improvement Programs. To date the U.S. Government has provided over $360 million for the development of infrastructure in the Trust Territory. From this generous contribution some 94 projects totaling over $288 million have been completed and are now under the management, operation, and control of the new governments. About 70 projects with the remaining funds of $72 million are actively underway and will soon play an integral part in providing adequate infrastructure for continued social and economic development of the islands. As in previous years, we believe that the U.S. contribution for capital project developments in the past plus capital development funds earmarked under the Compact will provide the new governments with adequate infrastructural resources to support sound social and economic development programs.

Health and Education. We are continuing vigorously with our responsibilities in the monitoring of the multitude of health and education programs in the Trust Territory. I must say that these governments ought to be commended for taking the major role in establishing their priorities and in implementing the necessary programs consistent with those priorities.

In the area of health, we are pleased to inform the Subcommittee that there have been no new cholera cases reported in Truk or other parts of Micronesia in almost two years. The cholera control programs and projects which were undertaken during the epidemic period have been very effective in preventing new outbreaks. The sewer and water projects are still in progress and upon completion, should provide for long term prevention of the disease. We will continue to monitor the situation and cooperate with the World Health Organization (WHO) in these efforts. Regarding leprosy or Hansen's Disease, as it is properly called, we have been cooperating very closely with WHO, the Center for Disease Control and Hansen's Disease Center of Carville, Louisiana, to establish control procedures and provide the necessary medication. We expect to have the situation stabilized in the near future through continued cooperative efforts.

Other diseases, such as tuberculosis, typhoid, etc., can be found in Micronesia as those same diseases can be found in most developing countries. However, the presence of those diseases are pretty well documented and their effects are minimal. At any rate, adequate resources and expertise are available and we are monitoring the situation constantly for new developments.

The health centers in Micronesia are operating at satisfactory levels and technical assistance is being provided in the many areas of expertise and operations and maintenance programs. In fiscal year 1986, Congress provided $4,756,000 for the construction of the Palau hospital. This project is currently being reviewed by Officer in Charge of Construction (OICC) and we anticipate the project to be advertised for bids within the next few months. The Majuro hospital funded by the Administration in the amount of $8,500,000, is now 99% completed. We expect the hospital to officially open for operation by early June of this year.

Substantial progress has also been made in the education programs throughout Micronesia. For fiscal year 1986, the U.S. Department of Education in the form of federal grant program assistance provided the sum of approximately $18,178,000. These funds are available to support aid to disadvantaged children, curriculum development, teacher training and staff development, and a host of other important programs connected with the development and improvement of the educational system in Micronesia. In addition, the Trust Territory Office of Education has provided from the grants received approximately $1.75 million to the local education agency of the Republic of the Marshall Islands for renovation of delapidated school buildings and for the construction of additional classrooms. In other local education agencies, renovation and construction are taking place at a smaller scale. Overall, I am convinced that the education programs in Micronesia have improved substantially during recent years. With the commitment toward continued improvement in the education programs, I am confident that the new Micronesian governments will achieve the level of educational systems for which they have strived for so many years.

TRANSITION

As you are aware, Mr. Chairman, in March 1985, the Department of the Interior approved the Trust Territory of the Pacific Islands Phasedown Plan which was implemented successfully during the period April 1, 1985 through September 1, 1985. Transition during that period was accomplished resulting in maximum staff reductions consistent with meeting our obligations prior to implementation of the Compact of Free Association. The implementation of that plan was successful and the goals and objectives were met with no noticeable disruption in the delivery of public services.

Recent passage of the Compact for the Federated States of Micronesia and the Republic of the Marshall Islands by the U.S. Congress and the subsequent approval by the President now provides us with greater certainty about the new relationship and enables us to plan in greater detail for transition. In consonance with this mandate, the Trust Territory Government has prepared an updated transition plan which will provide the basis upon which the remaining Trusteeship obligations and U.S. administration in Micronesian will be fulfilled on Compact implementation or shortly thereafter. This plan was submitted to the Department of the Interior in March of this year and is currently under review by the Office of Territorial and International Affairs. Briefly, the plan identifies the remaining two most significant missions of the Trust Territory as (1) completion of current capital improvement programs and (2) final closeout of federal grant program assistance and management.

Early approval and implementation of this updated plan will provide for the smooth transfer of the remaining responsibilities to the new governments and for the efficient discharge of our final closeout responsibilities pursuant to the goals and objectives set under the Trust Territory budget for fiscal year 1987.

THE FY 1987 BUDGET

Consistent with the Compact funding for the Federated States of Micronesia and the Republic of the Marshall Islands, the budget request for the Trust Territory of the Pacific Islands for fiscal year 1987 is $13,050,000. This request includes $10,600,000 for regular operations for the Republic of Palau, and $100,000, $300,000, and $150,000, representing Palau's share of current programs in the areas of prior service benefits, College of Micronesia, and satellite communications respectively. In addition, $1,650,000 and $250,000 are provided for the transitional activities of the Trust Territory government and the Judiciary branch respectively.

The amount requested for Trust Territory operations for fiscal year 1987 is adequate and will provide for the continuing phase down of the Trust Territory operations as a result of the Compact of Free Association for the Federated States of Micronesia and the Republic of the Marshall Islands. Administrative functions of the Trust Territory government are being reduced to the minimum necessary to provide essential services to the Republic of Palau, until it is included under the Compact, and to continue performance of residual responsibilities that remain after implementation of the Compact.

The majority of these residual responsibilities are associated with monitoring and supervising the final liquidation of multi-year grant funds such as those provided for capital improvement projects. In addition, since the Trust Territory is considered the state agency for a majority of the federal grant programs currently administered in Micronesia, the Trust Territory administration is responsible for the final financial closeout of those federal grant programs that will terminate as a result of Compact implementation.

Thank you, Mr. Chairman, for the opportunity to testify on the Trust Territory's appropriation request for FY 1987. While this could very well be my last appearance before your Subcommittee as High Commissioner for the Trust Territory of the Pacific Islands, I trust that you and your colleagues will continue to provide the support necessary to fully discharge the Administration's responsibilities during the final days of the Trusteeship administration and throughout the Compact period.

This completes my opening statement, Mr. Chairman. My staff and I will be more than happy to answer any questions that you or other members of this Subcommittee may have concerning our FY 1987 appropriation request.

TRUSTEESHIP TERMINATION

Mr. YATES. Okay. What still needs to be done in order for the Compact to go into effect?

Mr. MONTOYA. Mr. Chairman, what needs to be done in order for the Compact to come into effect is a series of hearings at the United Nations where Mrs. McCoy will be representing us.

Mr. YATES. When?

Ms. McCOY. Starting May 12, sir.

Mr. MONTOYA. The chronology of that, as I understand it, is it will be taken up first by the Trusteeship Council. Mrs. McCoy will testify before that group and then it will be taken to the Security Council, hopefully in July.

Ms. McCOY. Well, the idea will be to appeal to the Trusteeship Council. This is the same time as we present our annual report. We will go to them with all of the leaders from Micronesia in attendance and we will ask at that time for the Trusteeship Council to consider termination.

If they cannot complete the resolution of termination, it then goes to the Security Council and the Security Council—it is difficult to say what month or when it could go before them. We are hoping perhaps July, and are hoping that the Security Council will agree and will vote for termination.

Mr. MONTOYA. Mr. Chairman, additionally, what needs to be done in the Legislative Branch is the passage of the supplemental which contains the funding for implementation of the Compact. I understand that is ongoing.

In February Palau had a plebiscite and they approved their Compact by 72 percent of the vote. That is up from an earlier plebiscite.

The first one was 62 percent and the second one, which I don't think we recognized, was 67 percent, and now 72 percent. So I would anticipate that we will be coming forward with a supplemental request as soon as the authorization for the Palau Compact comes into play.

Mr. YATES. Are you already scheduled to appear before the Trusteeship Council on May 12?

Ms. McCOY. Yes, sir. That is the opening.

Mr. YATES. I see. Then if that is the case, I take it that you have a complete agreement with the FSM.

By "complete agreement," I mean all things that were bothering you last year are ironed out, that there is no trouble in paradise.

Ms. McCOY. Well, I wouldn't go quite that far, sir. I don't know that there is any paradise.

Mr. YATES. When they come in to testify, when witnesses for the new country come in to testify, will they be as optimistic as you and as ready to tell the Trusteeship Council that everything is in order and they agree completely with what the American Government has done?

Ms. McCOY. I can only give my opinion on that, but I think so, yes. I think we will go with one voice.

Mr. YATES. Okay. That is fine. That is important. I would hope that the troubles would be aired here, in this legislative forum, rather than before the Trusteeship Council where people can pick on you. We never did.

Ms. McCoy. I couldn't agree with you more. No, sir.

Mr. Yates. That is the time table for the United Nations. Is there other legislation that we must pass after the United Nations Acts in order to complete this or has the Congress completed everything that it has to do?

Mr. Montoya. Once the Congress passes the authorization for Palau, the supplemental for the FSM, and the Republic of the Marshall Islands, and the supplemental for Palau, all congressional action will have been completed, Mr. Chairman.

FEDERAL PROGRAMS

Mr. Yates. The people from the Marshalls and FSM have raised a number of problems respecting Federal programs being terminated. Are you working with them to try to keep these programs going?

Mr. Montoya. Mr. Chairman, we have had discussions with them regarding the Federal programs. One of the things that we are talking about doing is moving forward the fourth quarter funding to allow them to prevent a hiatus of these Federal programs before the Compact funds are available.

We feel that this will be a prudent activity on our part. I was advised that about 800 people in the Marshalls, for example, work for these Federal programs. This is something that needs to be addressed by the governments.

They will need to set priorities and they will need to take a look at the Federal programs that are to be paid out of Compact funding and decide how they are going to handle them. So a short answer, yes, we have been working on it.

Mr. Yates. Does that require further congressional legislation?

Mr. Montoya. It may require some additional language in the HHS appropriations to allow us to be repaid for that fourth quarter front-loading that we are going to do.

Mr. Yates. Will those programs continue under their terms for the new entities after all approvals are received or will you have to have legislative amendments in order for the benefits to accrue?

Mr. Montoya. Well, there are five Federal programs that will continue that are contained in the Compacts. That is FEMA assistance, Postal Service, FAA, Weather Service, and Transportation, CAB-type activities. All programs will continue for 1986 only.

There is continuation of some programs, for example, the Pell grants will continue for four years to allow all students that are in the pipeline to complete their higher education. They are also eligible for some programs such as SBA, EDA and FDIC, and a myriad of other Federal programs.

Mr. Yates. Have you requested continuation of these programs, funding for these programs?

Mr. Montoya. Many of them are in the Compact itself. There were a number of add-ons that were added by the authorizing committee that I think totalled $150 million. They have not, as you know, been appropriated by Congress.

It is our position that the Compact that was signed by the United States and the respective governments and what was voted on by the people of the various islands, was the Compact simple which did not contain these authorizations.

Mr. YATES. Mr. Seiberling takes the position that funding of the programs is not a matter of discretion, but rather a matter of entitlement. Do I understand that you do not accept this position?

Mr. MONTOYA. We do not accept that position, that is correct. We, of course, would comply with Congress if Congress appropriated the funds but we feel, again, that the Compact that was signed and voted on by the respective people of the Marshalls, FSM and Palau, was all inclusive.

They knew what was at stake and they accepted the numbers that were in the Compact that was approved by Congress.

Mr. YATES. What about the question of special medical care for the population of Rongelap and Enewetak? Is that your position on that program?

Mr. MONTOYA. Yes, it is.

Mr. YATES. What about the program of agriculture and food for the people of Bikini, same position?

Mr. MONTOYA. That is correct.

Mr. YATES. What about Enewetak, same position?

Mr. MONTOYA. Yes.

Mr. YATES. What about the Enjebi Community Trust Fund?

Mr. MONTOYA. That is correct.

Mr. YATES. And the Prior Services Benefit Program?

BIKINI RESETTLEMENT

Mr. MONTOYA. Yes, sir. There is one exception that I know you have been intimately involved in and that is the resettlement of Bikini.

Mr. YATES. You have been intimately involved in that, too, right?

Mr. MONTOYA. Absolutely. One of the things that was agreed upon by the United States and——

Mr. YATES. I may amend your statement to say we have been intimately involved in all of them. We have a special concern for Bikini because of what has happened there and the fact the people want to go back. You are in favor of the people going home, aren't you?

Mr. MONTOYA. I have been there and I would agree that is the place to be.

In a settlement that was agreed upon by the United States——

Mr. YATES. For whom?

Mr. MONTOYA. For the people of Bikini. The settlement that was agreed upon by the United States set out three criteria before we would come forward with a request of appropriated funds for the resettlement of Bikini. That is in my statement, but I would just like to review it if I may.

First, submission of the final report by the Bikini Atoll Rehabilitation Committee; second, acceptance of the report by the Bikinians; and third, development of a resettlement plan by the United States in consultation with and acceptable to the Bikinians.

Additionally, I believe we are in the process of putting out a bid right now for the development of a base camp at Eneu. This was something we talked about last year. We landed at Eneu and we feel it is safe to start that base camp. So we are looking forward to getting that on line and moving forward with it, Mr. Chairman.

Mr. YATES. How much money is in this budget to develop the base camp?

Mr. MONTOYA. $237,000.

Mr. YATES. Is that enough money for it?

Mr. MONTOYA. Yes, sir.

Mr. YATES. For development? I thought that was planning money.

Mr. MORGAN. This is planning money, sir.

Mr. YATES. What do you do about development?

Mr. MORGAN. As you know, last year in the appropriation conference, the House and Senate reached agreement they should come back to the Congress with planning and design. We are preparing to issue the RFP to come up with design plans and will return to Congress at that time.

Mr. YATES. So you need money in this budget for development then.

Mr. MORGAN. No, sir. It is hard to give you a figure for development until we know what the development plans and design are going to be. We are hoping to issue the RFP this summer and have the project completed by next year so we can then return to the Congress with an estimate of what it costs.

The other aspects of that is the fact that BARC has not yet completed their studies. It is really difficult to make a determination as to what kind of camp they are going to need if we don't know what kind of rehabilitation process they are going to use so we are kind of taking a middle ground.

Mr. YATES. Everything moves so slowly, doesn't it?

Mr. MORGAN. Yes, sir.

FEDERAL PROGRAMS

Mr. YATES. In connection with your view whether these programs are entitlements or not, you take the position they are not. Do you have a position, or your Solicitor, as to whether they are or are not?

Mr. MONTOYA. I understand that question was raised yesterday. They are taking a look at it.

Mr. YATES. "They" being the Solicitor's Office?

Mr. MONTOYA. "They" being the Solicitor's Office.

They have told me that they will get back to us as soon as that opinion is developed.

Mr. YATES. Well, suppose the committee and the Solicitor were to, at that time, take the position that these were entitlements. Can you tell us how much money is needed to carry out that viewpoint?

Mr. MONTOYA. Yes, sir. It is approximately $106 million.

Mr. YATES. Well, how well will these organizations get along without these funds?

Mr. MONTOYA. I have mentioned throughout my tenure, and I think Mrs. McCoy has been very vocal on this same issue, that these new governments can survive quite well if they are prudent and they plan for the future and they don't fritter away the monies on things that don't——

Mr. YATES. Fritter away what monies?

Mr. MONTOYA. The Compact monies.

COMPACT FUNDING

Mr. YATES. Well, will the amount of money that you have made available take care of the total of all the programs as well as the needs for running the government?

For example, they have to run the governments from the monies—how much money have you made available for this that they are going to exercise prudence and——

Ms. McCOY. Are you speaking of Compact funding, sir?

Mr. YATES. I am speaking of the fund that Mr. Montoya says is available.

Mr. MONTOYA. $2.4 billion over 15 years.

Mr. YATES. Okay. That is $2.4 billion over 15 years.

Suppose they did that on a straight line basis. How much is available each year?

Mr. MONTOYA. About $155 million.

Mr. YATES. $155 million. What is the expense of the government?

Mr. MONTOYA. Mr. Chairman, when they develop their own programs they can develop their own criteria.

Mr. YATES. Give me an example of what you are talking about.

Mr. MONTOYA. The school lunch programs, the feeding programs. These are programs that we feel can be run more efficiently by the local governments since they can more closely meet the needs of the recipients than having federally imposed guidelines on how these monies will be used. I think there are some efficiencies to be made there.

Mr. YATES. You mean in the same way as we do it here in the Federal Government for 50 states?

Mr. MONTOYA. The criteria that exists for the 50 states is the same that exists for the islands. Correct, Mrs. McCoy?

Ms. McCOY. I think for nutrition and food, et cetera. I think what needs to be remembered is that these figures were all negotiated during the Compact plus the fact that it is now up to the governments to set their own priorities.

Mr. MONTOYA. Mr. Chairman, if I may, to put it in perspective, in previous years, we have been spending an average of $90 million to $110 million a year for the island governments and about $25 million for Federal programs. Under the Compact, again, I mentioned that it is between $150 and $155 million. So the money should be there to continue those programs.

Mr. YATES. Let me ask that question of Mr. Olter.

Mr. Olter, wherever you are. Mr. Vice President, do you have the same impression of what the legislation provides as Mr. Montoya?

Mr. OLTER. Maybe I can ask my budget officer.

Mr. YATES. Well, Mr. Budget Officer, wherever you are.

Mr. PANGELINAN. I was not following the question. What was the question, please?

Mr. YATES. The question is, one, whether the amount you have negotiated for settlement, Mr. Montoya, says the $2.4 billion which will allow you to spend $155 million a year, if you spend it on a straight line basis, will permit you to take care of such programs as prior service benefits, Federal education assistance and others without having additional help.

Is that your understanding of what the Compact means?

Mr. PANGELINAN. No, sir. But, first of all, the $150 million he is referring to does not apply to FSM alone.

Mr. YATES. How much do you get?

Mr. PANGELINAN. Our annual Compact funding runs roughly $75 million to $80 million a year. That amount includes our development funding as well as our operations funding. Currently, our operating funding, Mr. Chairman, runs around $40 million in grants from the U.S. Government.

We will be receiving about the same amount under the Compact. That does not include the funding needed to cover our prior service payments nor does it cover the Federal programs that we have been receiving to date.

Mr. YATES. How much money is involved in the special programs?

Mr. PANGELINAN. Special programs are running roughly around $20 million at the moment, sir. So the total of Federal programs and grants is running around $60 million.

Mr. YATES. Well, now, I don't understand how you can say there is agreement between you when he says that he thought the Compact provided for the amount of money to be made available to them to include these programs.

Mr. MONTOYA. Mr. Chairman, first of all, I did not negotiate the agreement. I support the agreement and the people of the islands voted to approve it. They accepted it.

Mr. YATES. If I understand what Mr. Pangelinan is telling us, their understanding of what they voted on included these funds. Am I stating that correctly?

Mr. PANGELINAN. Yes. The add-ons to the Compact are things we accepted.

Mr. YATES. Well, Mr. Montoya looks up at the statue of Lincoln and the beautiful scene in the picture behind me. What else were you looking at, Mr. Montoya, in response? You were shocked and surprised; right?

Mr. MONTOYA. The chronology of this was that the Compacts were negotiated——

Mr. YATES. Looks like Mrs. McCoy isn't getting to the United Nations on May 12.

Mr. MONTOYA. The Compacts were negotiated, they were voted on and accepted by the people as they were in pure form. Then they came up to Congress and all of these authorizations were added. We had an agreement before.

CONGRESSIONAL CHANGES TO COMPACT

Mr. YATES. All right. Mr. Montoya, let me invite your attention to the statement by Mr. Seiberling of the Interior Committee before our committee in testimony on Thursday, April 17, when he said this: "All I will highlight today has been detailed in the Interior Committee's report of February 25, recommendations regarding the President's proposed budget for Micronesia for fiscal year 1987. The Administration, unfortunately, has chosen to act as if the Congress never had the Compact for the Federated States of Micronesia and the Marshall Islands before it for almost two years and never made any changes in it. The Administration takes the position it will only fund what was in the original negotiated document and prefers to ignore all the amendments that were added to the Compact to fulfill outstanding and continuing U.S. commitments and obligations to the Micronesians."

Now, would you say that Mr. Seiberling has been guilty of hyperbole there?

Mr. MONTOYA. No. I would not.

Mr. YATES. What would you say then?

Mr. MONTOYA. I would say that there is some disagreement here and the disagreement is we have a deal. The deal was signed off on and voted on.

Mr. YATES. On the original agreement without the amendment.

Mr. MONTOYA. That is correct.

Mr. YATES. And Mr. Pangelinan's statement does not take in what the original deal was. Is that what you are saying? What happens to the amendments? Are the amendments not part of the contract?

Mr. REGULA. Will the gentleman yield?

Mr. YATES. Sure.

Mr. REGULA. Aren't they an authorization?

We have a lot of authorizations that are never funded.

Mr. YATES. That is what I am trying to find out.

Mr. MONTOYA. In our view, they are authorizations and not appropriations.

Mr. YATES. But the Compact is not legislation. The Compact is an agreement; isn't it?

Mr. MONTOYA. We are very fortunate, Mr. Chairman, because we have someone here that was part of that negotiating team and that is Mr. Berg.

Mr. YATES. Where is Mr. Jim Berg?

Come on up here, Mr. Berg.

You have heard our interplay. Obviously the happiness, the security, the well-being of the new associations under the Compact will depend in some measure on the amount of money that is made available, won't it, Mr. Berg?

Mr. BERG. I agree.

Mr. YATES. All right. What is your understanding as to which funds were made available under the Compact?

Mr. BERG. The Compact sets out in full in its terms the amount of funding that we and the Federated States of Micronesia and the Marshall Islands agreed to. The Compact is set forth in Title II of Public Law 99-239 that you are now being shown.

Mr. YATES. Right.

Mr. BERG. In addition to that, when Congress considered and enacted the Compact, it added in Title I of that Act, a series of authorizations with respect to essentially two categories, authorizations for the continuation of certain existing Federal programs that had traditionally operated in the Trust Territory——

Mr. YATES. I think I know where you are going.

Mr. BERG. And authorization for certain other funds. The administration in its fiscal year 1987 budget request did not request the appropriation of funds for any of those additional authorizations.

COMPACT AUTHORIZATIONS

Mr. YATES. I see. So that much depends on whether or not you consider the authorizations to be entitlements or authorizations which require approval by the Appropriations Committee and its allocation of funds for it?

Mr. BERG. That is correct.

Mr. YATES. What is your own opinion on it?

Mr. BERG. My opinion is they are authorizations.

Mr. YATES. Not entitlements?

Mr. BERG. That is correct. I base that opinion on the language that appears in the bill that says in general for each category that they are authorized to be appropriated funds sufficient for this section.

Mr. YATES. Well, then, what should we do on this committee? Assuming they are authorizations. Suppose you were sitting on this side of the table. Would you make the money available to the new states?

Mr. BERG. The administration did not request appropriation for those funds, so this administration does not believe you should make that funding available for the 1987 cycle.

Mr. YATES. Are you speaking as Mr. Berg or as the administration in this capacity?

Mr. BERG. I am speaking as Mr. Berg, a member of the administration.

Mr. YATES. We are not members of the administration.

Mr. REGULA. Careful about your pronouncements.

Mr. YATES. You are not a member of the administration either, but I must say you support it occasionally. I suppose we will have to ask the gentlemen from the Islands when they come in this afternoon and testify, but it is already clear that they think they need the money, isn't it, for this to get to be properly launched.

Mr. BERG. My understanding is they would not turn it down if offered.

Mr. REGULA. Will the gentleman yield?

Mr. YATES. Why, of course, Mr. Regula.

Mr. REGULA. Didn't they vote on the Compact and was not that vote a ratification of the funding at the level that was provided in the agreement?

Mr. BERG. Yes, sir, you are correct.

Mr. REGULA. And, therefore——

Mr. YATES. Were the authorizations in the agreement?

Mr. BERG. No, they were not at the time of the plebiscites. After Congress considered——

Mr. YATES. You mean the authorizations were in legislation enacted following the——

Mr. BERG. Affirmative, sir. During the time Congress considered the Compact.

Mr. YATES. You mean that Mr. Pangelinan's statement is one based upon hope rather than experience?

Mr. BERG. Mr. Pangelinan said, if I remember correctly, that the Federated States of Micronesia accepted these additions. In fact, after Congress enacted the law approving the Compact, the Compact in the form it was enacted by Congress was transmitted by our Government to the Federated States of Micronesia and to the Marshall Islands. Both of their governments then considered the Compact in the form that Congress put it in as a result of its consideration and accepted it in that form.

Our position has been both, during the congressional consideration and after, that these add-ons are authorizations. I think, Congressman, that our view on that is supported generally in the Senate.

Mr. YATES. Mr. Regula.

Mr. REGULA. Mr. Chairman, could I reserve some time this afternoon to ask Mr. Montoya some questions.

Mr. YATES. You can do it now if you wish.

Mr. REGULA. I am running into a time conflict.

Mr. YATES. The governments are in this afternoon.

Mr. REGULA. I understand that. That is why I was asking. All right.

Mr. YATES. What do you want to ask? Go ahead.

Mr. REGULA. Before I do that, let me comment. An authorization which—I agree with the department that what we did in our ratification of the Compact is authorize additional sums if we choose to appropriate them, but we are not obligated to appropriate them.

Likewise, I think if prospectively we find in the years to come there may be a need for extra, we will have the authorization there to do so. But from the standpoint of the Territories, they accepted what was in the original agreement.

Mr. YATES. Accepted that plus they accepted again what was in the legislation which contained the substantive authorization.

Mr. REGULA. Of course, they would accept anything additional.

Mr. YATES. There is some doubt, though.

Mr. REGULA. As to whether it is an authorization or entitlement and do we need a legal opinion?

Mr. YATES. I have asked whether the Solicitor has given them that opinion. They say the Solicitor is now looking at it.

COMPACT ADMINISTRATION

Mr. REGULA. All right. Mr. Montoya, I note that your budget for the Trust Territory of the Pacific Islands is greatly reduced as a result of the implementation of the Compact of Free Association.

I understand also that the department will continue to have some oversight and monitoring responsibility for pre-Compact projects that have yet to be completed and, in addition, according to your budget, other responsibilities which have been transferred to the Office of the Territorial and International Affairs will include budget formulation, health care programs, Bikini program and enhanced operations and maintenance programs.

Now, my question is, is there enough money and staff in that budget to handle those responsibilities?

Mr. **Montoya**. There are two things that are going on now within the administration. First of all, there is an Executive Order that deals directly with Compact administration. Once it is formulated, and Mrs. McCoy comes back from the U.N., she and I will sit down and discuss the transition, or close down, and transition to OTIA. We will then be in a position to ask for an amount of money or to determine if money is available within the Department to comply with the wishes of Congress as far as meeting Interior's responsibility as Compact administrator, along with the Department of State.

So those things have to happen first.

Mr. **Regula**. When do you think you would know that? In other words, we are talking about the fiscal year 1987 right now. Are you talking in terms of a supplemental or maybe an add-on in the Senate?

Mr. **Montoya**. It would be the 1988 budget.

Mr. **Regula**. So you think there is enough in the fiscal year 1987——

Mr. **Montoya**. Yes.

Mr. **Regula** [continuing]. For the transitional period, and you may need it then in fiscal year 1988?

Mr. **Montoya**. Yes.

PALAU POWER PLANT

Mr. **Regula**. Last year in the hearings, we discussed the Palau power situation. What is the status of the IPSECO power plant in Palau?

Mr. **Montoya**. Fortunately, we made the right call on that IPSECO power plant. During the interim, the company that sold the plant to the Palau—it is the International Power Systems Incorporated Limited, I think.

Mr. **Regula**. This is a British company, isn't it?

Mr. **Montoya**. Yes. They went bankrupt. The power plant is built. The Japanese are putting lines in. We anticipate those lines to be in around July, optimistically.

We also provided one standby unit, an Alco unit, to keep the existing power plant running until the British power plant comes on line. There is a stipulation that once that power plant comes on line, one unit will revert back to us and will go to the Federated States of Micronesia.

Right now we have power in Palau and things seem to be moving along nicely there.

Mr. **Regula**. You mentioned the Japanese are putting in the lines. Who is paying for that?

Mr. **Montoya**. The Japanese are.

PALAU AIRPORT TERMINAL

Mr. **Regula**. I understand the Japanese made a gift of an airport to the Republic of Palau which has run into some problems. What is the situation on the airport?

Mr. **Montoya**. The terminal has been declared unsafe. Duty-Free Shops was going to put a rather large facility in the terminal. When the engineering/architectural group from Duty-Free Shop looked at it, they said the building wasn't safe, so they pulled out.

I understand that, since then, it has been closed. Two other engineering firms, architectural firms, have taken a look at the facility. There are structural problems.

There are problems about the wiring. Rather than encasing the wiring in conduits, they just stuck it in the wall and then——

Mr. **Regula**. Who built it? A Japanese firm?

Mr. **Montoya**. A Japanese firm and Koreans. There was no government involvement.

Mr. **Regula**. What kind of gift is it if it obviously is an inadequate design?

Mr. **Montoya**. It was a private venture between the Governor of Airai and the Japanese/Korean consortium that put it together.

Mr. **Regula**. Who is going to take the responsibility for either bringing it up to standard or——

Mr. **Montoya**. The hit will go to the business people that put it in. The government will more than likely have to tear it down and start all over again.

PALAU TOURISM

Mr. **Regula**. Last year in response to a question concerning Palau, you indicated there was a great potential for development of tourism. Has that been realized, that potential?

Mr. **Montoya**. In my opinion, yes. We just attended the inauguration early this year of President Lazarus Salii. We were fortunate to stay at the new Pacific Palau Resort. That is a beautiful facility. There are other hotels that are being constructed in Palau. I feel with the new leadership—and that is not taking anything away from the Remeliik Administration, but President Salii has come in and taken charge of that government at a very critical time in their development and has done an outstanding job.

AMERICAN SAMOA EDUCATION

Mr. **Regula**. Last year during our hearings, Mr. Sunia indicated that education was a very high priority, yet I notice in the distribution of local revenues, education and higher education were both down considerably from 1985 to 1986. How do you explain this reduction on an item that you indicate has high priority?

Mr. **Montoya**. That is in Samoa. I am not familiar with those figures.

It is my understanding that things are going well there. We provided some money to build a gymnasium and to rehab some classrooms, I think $700,000 for rehab of classrooms. We are also working on a skills center that will bring the trades into Samoa. That is the Governor's and my pet project.

This will all be done with existing funds, Congressman, and I am very pleased we have been able to put this together. There is a lot of construction going on in American Samoa and we feel this will bring a much needed shot in the arm by getting some of the local Samoans involved in some of the trades.

So this would be an appropriate question to ask Governor Lutali.

VIRGIN ISLANDS WATER IMPROVEMENTS

Mr. REGULA. Last question. You are requesting $2.9 million for a construction grant project in the Virgin Islands.

Mr. MONTOYA. Yes.

Mr. REGULA. Your budget says the department has not supported this type of funding assistance in the past two years. Why request it now?

Mr. MONTOYA. The $2.9 million is something that we feel very strongly about because it deals with the transmission line. When we looked at the situation in the Virgin Islands, we found that it was cost effective to replace this line. In my opening oral comment, I stated that we anticipate to have a three to four million dollar revenue enhancement by plugging the leaks of this existing system. So it makes very good sense.

I think at the time that we were discussing this before, we didn't have the specifics. There was a study that was ongoing. That has now been completed.

We have plugged some money in there and this will finish out the system.

Mr. REGULA. Mr. Chairman, I would like to submit the rest of my questions for the record.

Mr. YATES. They will be submitted for the record.

Mr. YATES. They will be submitted for the files.

I am kind of surprised they put that money in the budget, too. Because it is a question of people's health that is involved in that, isn't it, in addition to the economics?

it does include quite a bit of water money.

Mr. YATES. I am pleased, too. I am just expressing surprise that you put it in.

CAPITOL RELOCATION

What about the question of capitols?

Are you going to let these new states go along without having money for capitols?

Mr. MONTOYA. We have consistently submitted a request for the capitols.

Mr. YATES. To whom?

Mr. MONTOYA. We did that for two years running.

Mr. YATES. Not for the last two years. Four years ago, you did.

Mr. MONTOYA. No. It was just in 1982 that we submitted a request, and in 1983 we submitted a request. I think we didn't submit a request this year.

Mr. YATES. Right. We put it in and the Senate knocked it out, right. What do you think? Should the money be put in here for the capitols?

Mr. **Montoya**. We accept it as a commitment of the United States and we felt when Congress was ready to appropriate the money we would work with them to get it to them.

Mr. **Yates**. Mr. Berg, do you accept it as a commitment, too?

Mr. **Berg**. Yes.

Mr. **Yates**. How much money is involved?

Mr. **Montoya**. $14.2 million is the outstanding figure.

Mr. **Yates**. What is the status of design for the capitol of Palau?

Mr. **Solomon**. Palau has not finalized the A&E design for their new capitol. They are in the process of doing so. The FSM design is completed and the Marshalls is completed.

Mr. **Yates**. Would that mean that Palau would not be ready for construction funds in the 1987 budget?

Mr. **Solomon**. Not unless they move quickly. The other two already have full A&E design.

Mr. **Yates**. Does the $14 million include construction money for Palau?

Mr. **Solomon**. Yes, it does.

Mr. **Yates**. Should the committee put in $14.2 million or should it put in money for the other capitals in lieu of Palau in view of the fact they haven't finished the A&E yet.

Mr. **Montoya**. I would think it would be more prudent, given the budgetary constraints on this government, to do the FSM and the Marshalls first. Once Palau has completed their A&E, which will be a lengthy process, we can come in for an appropriation for the Palau capitol.

Mr. **Yates**. How lengthy? Will it be more than a year, do you think?

Mr. **Jordan**. Charles Jordan, Director of Capital Improvement Programs, Trust Territory.

The architectural/engineering time frame will take at least a year.

Mr. **Yates**. So there won't be any need for construction funds during fiscal year 1987; is that correct?

Mr. **Jordan**. That is correct.

Mr. **Yates**. What is the amount that should be in there for construction if you omit the Palauan construction?

Mr. **Montoya**. Delete $2.6 million from the $14.2 million, Mr. Chairman.

Mr. **Yates**. We have other questions on this, but now we want to turn to Guam.

Tuesday, April 29, 1986.

GUAM

WITNESSES

RICARDO BORDALLO, GOVERNOR OF GUAM

VINCE LEON GUERRERO, BUDGET DIRECTOR, GUAM

DAVE SANTOS, DIRECTOR, REVENUE AND TAXATION

CARL T. GUTIERREZ, SPEAKER, GUAM LEGISLATURE

GUAM WATER IMPROVEMENTS

Mr. **YATES**. Now, you want $3.5 million for the construction in Guam, compared to $4,566,000 in 1986. You have deleted a million dollars.

Can you tell us why, other than budget constraints?

Mr. **MONTOYA**. Well, we took a look at the priority listing from Guam and it was agreed to by our Bureau of Reclamation engineers that $3.5 million would be appropriate for fiscal year 1987 to move the water improvement project along.

What we have requested is improvement of a water transmission line for a total of $3.5 million.

Mr. **YATES**. Guam has proposed $13 million for water projects. How much of that sum could be accomplished in fiscal year 1987?

Mr. **MONTOYA**. It is my belief that the $3.5 million would be an amount that could be accomplished during fiscal year 1987, Mr. Chairman.

Mr. **YATES**. No more than that?

Mr. **MONTOYA**. I don't believe so.

Mr. **YATES**. Would the project that is proposed for Guam be made more efficient by combining the Mangilao-Chalan Pago transmission lines. What is the judgment on that?

Mr. **HEGGESTAD**. I believe that is an engineering question.

Mr. **YATES**. You don't have any expertise or you don't know what your engineers are thinking?

Mr. **HEGGESTAD**. That is right.

Mr. **YATES**. How long will the design take?

Mr. **MONTOYA**. I believe they have been averaging about six months.

Mr. **YATES**. What is the current status of the $2,954,000 funding for water projects in fiscal year 1986, that is the amount after the Gramm-Rudman cut?

Mr. **MONTOYA**. The $2.9 million in fiscal year 1986 is currently underway.

Mr. **YATES**. You mean being used?

Mr. **MONTOYA**. It is being used, yes. Again, we have a Bureau of Reclamation engineers that we have made available to the Public Utility Agency of Guam. That is the water group in Guam.

GUAM MENTAL HEALTH FACILITY

Mr. **YATES**. What is the status of planning and design of the mental health facility?

Mr. **MONTOYA**. The contract was just let for the A&E for the $190,000, Mr. Chairman, appropriated in the fiscal year 1986.

Mr. **YATES**. When is it expected to be completed?

Mr. **HEGGESTAD**. I would think in about six months.

Mr. **YATES**. Why don't you know?

Mr. **MONTOYA**. Again, these have been averaging around six months, Mr. Chairman. Some of them move more rapidly than others so that is why you are getting an estimate from us.

Mr. **YATES**. Shouldn't you be more on top of it than you seem to be? Shouldn't you know about this design and planning and when it will be completed? The money has been spent for it.

Mr. **Montoya**. I think we are on top of it. These projects need to be worked on by the Guam Government.

Mr. **Yates**. But the question is presented to the committee as to whether or not it should add funds for construction for fiscal year 1987. Will your planning process have been completed in time for construction? That is the reason for the question.

Mr. **Montoya**. I realize the reason for the question. Our opinion is that with the $3.5 million for the water projects, these CIP projects that are ongoing, as well as this water project, will be either in process or completed. The Tumon Bay project, for example, was appropriated several years ago and construction just started a few months ago.

I think it is 25 percent complete now. So the process, and maybe that would answer your question more appropriately, the process is the government submits to us a construction schedule and then we follow that construction schedule.

Mr. **Yates**. And they have not done that yet?

Mr. **Montoya**. No.

Mr. **Yates**. Is Governor Bordallo here?

Governor **Bordallo**. Good morning, Mr. Chairman.

Mr. **Yates**. Good morning. We are conscious, of course, of Guam's needs and we want to be helpful, but what Mr. Montoya has just told us is in connection with your CIP project for mental health, it says you haven't yet furnished him with any schedule for construction as yet; is that correct?

Governor **Bordallo**. The A&E is very actively taking place right now.

Mr. **Yates**. When will you complete that?

Governor **Bordallo**. My budget director.

Mr. **Guerrero**. One of the hold-ups is we have yet to receive a grant award for any of the 1986 projects currently appropriated by the Congress. We are on line. We are all prepared to come forward with our contract to let out the A&E design work for the mental health facility.

We just recently received a letter from the Secretary allowing us to go forward. It is a formal letter of notification of a pending grant award, but not a grant award.

Mr. **Yates**. Mr. Montoya, how do you answer that?

Mr. **Montoya**. I will have Mr. Heggestad answer that, our budget officer.

Mr. **Yates**. I can understand why. Go ahead, Mr. Heggestad.

Mr. **Heggestad**. The delay in the grant awards this year was due to the Gramm-Rudman-Hollings Act. We had to wait until we had the final sequestration which took place in March. At that time, we started preparing the actual grant offers and put out notification to the governments.

Mr. **Yates**. Why did you have to wait so long?

Mr. **Heggestad**. All of these items were affected by the sequestration.

Mr. **Yates**. So you are six months behind schedule as a result of that; is that right?

Mr. **Guerrero**. For all intents and purposes.

Governor **Bordallo**. But not because of us, sir, because of the bureaucracies.

Mr. YATES. Because Congress passed Gramm-Rudman.

Governor BORDALLO. That is right.

Mr. YATES. I voted against it.

Governor [illegible]ALLO. God bless you.

Mr. YATES. [illegible]nk time will prove me right, too.

Anyway, you are six months behind because of Gramm-Rudman; right?

All right. Assuming you just got your grant award for A&E, how long?

Governor BORDALLO. Maybe in this case about four months because it is not an overly large structure.

Mr. YATES. Four months.

Governor BORDALLO. That is right.

Mr. YATES. It isn't very big. It is less than $200,000 for this project.

Governor BORDALLO. That is right. In fact, the amount tends to indicate——

Mr. YATES. What would be the cost for construction?

Governor BORDALLO. It is estimated at $4.1 million. So that is about a five percent fee.

Mr. YATES. $4.1 million, and if you complete it in four months, you are going to be into the first part of 1987 and they will be ready for construction, won't they?

Governor BORDALLO. They should even be ready by the end of the year because right after the completion of the A&E, it is only 30 days for bids.

Mr. YATES. Does this mean you don't want to let them construct it, Mr. Montoya? What do you want? A caucus?

We will take time out if you want to.

Mr. MONTOYA. Okay.

Mr. YATES. They are huddling before the next question.

Mr. MONTOYA. Once it comes in to us, Mr. Chairman, it is reviewed.

Mr. YATES. Once it comes in to you, you mean——

Mr. MONTOYA. The A&E. It comes into us. We review it and then they are given the go ahead on the project. So we would check their construction schedule, what is on the plate at the current time, what they could expect to complete in fiscal year 1987, and then make a determination as to whether that would be requested for fiscal year 1988.

Mr. HEGGESTAD. One other thing I might add to that, Mr. Chairman, is that the President's 1987 budget was prepared about six months ago and was begun about a year ago. This would be a perfect item for us to look at in putting together the President's fiscal year 1988 budget.

Mr. YATES. All right. Governor, your written testimony may go into the record at this point.

[The statement of Governor Bordallo follows:]

TESTIMONY
OF
THE HONORABLE RICARDO J. BORDALLO
GOVERNOR OF GUAM

BEFORE

APPROPRIATIONS COMMITTEE

SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES

U.S. HOUSE OF REPRESENTATIVES

REGARDING

THE REVIEW OF THE FISCAL YEAR 1987 BUDGET REQUESTS

FOR THE UNITED STATES TERRITORIES

29 APRIL 1986

MR. CHAIRMAN AND MEMBERS OF THE APPROPRIATIONS SUBCOMMITTEE ON INTERIOR: ON BEHALF OF ALL THE PEOPLE OF GUAM, I OFFER A WARM HAFA ADAI AND OUR SINCERE SI YU'US MA'ASE FOR THIS OPPORTUNITY TO PRESENT TESTIMONY ON THE URGENT FUNDING NEEDS FOR ESSENTIAL IMPROVEMENTS TO OUR ISLAND INFRASTRUCTURE.

THE CONGRESS HAS TRADITIONALLY RECOGNIZED ITS UNIQUE RESPONSIBILITY TO THE TERRITORIES BY PROVIDING DIRECT FUNDING TO MEET THEIR CRITICAL NEEDS. IN GUAM'S CASE THIS HAS NOT MEANT OPERATIONAL FUNDING, BUT RATHER INVESTMENT IN CAPITAL IMPROVEMENTS.

I WOULD LIKE TO THANK THIS COMMITTEE, AS WELL AS THE OVERSIGHT COMMITTEE, FOR ITS CONSISTENT SUPPORT OVER THE YEARS. THESE GRANTS REPRESENT MORE THAN JUST AN INVESTMENT IN GUAM'S POLITICAL, SOCIAL, AND ECONOMIC DEVELOPMENT, AS STATED IN THE DEPARTMENT OF INTERIOR MISSION STATEMENTS. AS ALL OF YOU KNOW, THESE GRANTS ALSO REPRESENT A STRONG INVESTMENT IN THE NATIONAL SECURITY OF THE UNITED STATES.

GUAM'S STRATEGIC IMPORTANCE TO THE NATIONAL SECURITY OF THIS COUNTRY IS UNIQUE AMONG U.S. TERRITORIES. AS THE ONLY AMERICAN SOIL EVER TO BE OCCUPIED BY ENEMY FORCES, GUAM UNDERSTANDS THAT NO PRICE IS TOO GREAT TO PAY IN THE DEFENSE OF LIBERTY. CLEARLY, MAINTAINING THE STRENGTH OF AMERICA'S POSITION IN THE PACIFIC BASIN MEANS MAINTAINING A STRONG ECONOMY AND PUBLIC INFRASTRUCTURE ON GUAM.

OUR NEEDS ARE GREAT AND OUR POLITICAL POWER IS SMALL. OUR PEOPLE ARE NOT UNGRATEFUL FOR THE SUPPORT WE HAVE RECEIVED OVER THE YEARS FROM THE CONGRESS AND THE DEPARTMENT OF INTERIOR. HOWEVER, IN LIGHT OF OUR ISLAND'S LONG-STANDING AND UNQUESTIONING CONTRIBUTIONS TO THE NATIONAL GOOD, IT IS SOMETIMES DIFFICULT FOR THEM TO UNDERSTAND WHEN OUR NEEDS ARE RECOGNIZED, YET UNFUNDED.

WE ARE EXTREMELY CONCERNED ABOUT THE IMPACT OF THE GRAMM-RUDMAN DEFICIT REDUCTION ACT ON OUR TERRITORY.

ALL FEDERAL INCOME TAXES DERIVED FROM THE TERRITORY ARE REMITTED TO GUAM BY THE U.S. TREASURY UNDER THE PROVISIONS OF SECTION 30 OF THE ORGANIC ACT OF GUAM. FOR TECHNICAL REASONS, THESE SO-CALLED SECTION 30 FUNDS ARE APPROPRIATED ANNUALLY BY THE CONGRESS TO THE TERRITORY. HOWEVER, THESE ARE NOT FEDERAL EXPENDITURES, BUT RATHER TERRITORIAL REVENUES THAT ARE COLLECTED BY THE U.S. TREASURY.

YET, UNDER THE PRESIDENT'S BUDGET, THESE FUNDS ARE SUBJECT TO SEQUESTRATION UNDER GRAMM-RUDMAN. THIS IS CLEARLY NOT CORRECT. WE SEEK YOUR SUPPORT TO EITHER CHANGE THE INTERPRETATION OF GRAMM-RUDMAN OR MAKE UP THE SEQUESTERED AMOUNTS.

A SIMILAR SITUATION EXISTS RELATIVE TO THE CONGRESS'S COMMITMENT TO PAY A PORTION OF THE COST OF FINANCING THE GUAM POWER

AUTHORITY'S DEBT. WE ASK THAT THIS SUBSIDY EITHER BE EXEMPTED FROM GRAMM-RUDMAN OR THAT THE FEDERAL SUBSIDY BE RESTORED THROUGH APPROPRIATION.

THE FINANCIAL SITUATION OF THE GOVERNMENT OF GUAM CLOSELY PARALLELS THAT OF THE FEDERAL GOVERNMENT. THE PROGRAM OF ECONOMIC REARMAMENT THAT I LAUNCHED WHEN I CAME INTO OFFICE IN 1983 HAS BEEN SUCCESSFUL BEYOND EXPECTATION. OUR LOCAL ECONOMY IS ENJOYING ITS GREATEST BOOM OF THE POSTWAR YEARS. YET THE DEMAND FOR GOVERNMENT SERVICES CONTINUES UNABATED AND THERE IS EXTREME PRESSURE NOT TO INCREASE TAXES. AS A RESULT, THE GOVERNMENT'S DEFICIT HAS INCREASED TO AN ALARMING LEVEL.

IN RESPONSE, I HAVE SUBMITTED A COMPREHENSIVE DEFICIT ELIMINATION PLAN TO OUR LEGISLATURE DESIGNED TO ELIMINATE THE DEFICIT OVER THE NEXT FIVE YEARS. THE PLAN INCLUDES STRINGENT COST CONTAINMENT, TAX REFORM, PRIVATIZATION OF GOVERNMENT SERVICES, AND THE RE-SCHEDULING OF OUR GENERAL FUND'S DEBT TO THE GOVERNMENT RETIREMENT FUND THROUGH A GENERAL OBLIGATION BOND.

THE GOVERNMENT OF GUAM HAS SHOWN THE WILLINGNESS AND THE ABILITY TO RAISE CAPITAL FUNDS ON THE BOND MARKET THROUGH OUR SUCCESSFUL EXECUTION LAST YEAR OF A $35 MILLION HIGHWAY PROJECT REVENUE BOND. THE COLLECTION OF RECEIVABLES TO THE GUAM TREASURY HAS BEEN ACCELERATED. YET, OUR LOCAL RESOURCES ARE STILL INADEQUATE TO MEET OUR MOST PRESSING CAPITAL IMPROVEMENT NEEDS.

FOR THIS REASON, I APPEAR BEFORE YOU TODAY TO SEEK YOUR THOUGHTFUL CONSIDERATION OF FIVE PROJECTS OF VITAL IMPORTANCE TO THE ECONOMIC AND SOCIAL HEALTH AND WELFARE OF OUR PEOPLE. TWO OF THE FIVE PROJECTS -- THE WATER SYSTEM IMPROVEMENTS AND THE MENTAL HEALTH FACILITY -- HAVE PREVIOUSLY BEEN AUTHORIZED. THE PEOPLE OF GUAM SEEK YOUR SUPPORT OF THESE AND THREE OTHER PROJECTS FOR A TOTAL FUNDING REQUEST OF $45.8 MILLION. COMPREHENSIVE PROJECT DESCRIPTIONS HAVE BEEN PROVIDED TO COMMITTEE STAFF IN THE FORM OF CAPABILITY STATEMENTS. THEREFORE, I WILL CONFINE THE REST OF MY COMMENTS TO A BRIEF OVERVIEW OF OUR REQUESTS.

ORDOT LANDFILL

ALL OF OUR TERRITORY'S WASTE IS HANDLED BY A SINGLE DUMP -- THE ORDOT LANDFILL. WE NEED $2.3 MILLION TO UPGRADE THE FACILITY TO BRING IT INTO COMPLIANCE WITH THE RESOURCE CONSERVATION AND RECOVERY ACT.

THE ORDOT LANDFILL IS OVER 40 YEARS OLD. IT WAS FIRST USED AS A DUMP SITE BY THE JAPANESE DURING THE WORLD WAR II OCCUPATION OF GUAM. AFTER THE LIBERATION OF GUAM IN 1944, U.S. ARMED FORCES CONTINUED TO USE THE SITE THROUGH THE MID-1950'S. RECORDS INDICATE THAT MUNITIONS AND ASSORTED CHEMICALS WERE DUMPED IN THE LANDFILL DURING MOP-UP OPERATIONS FOLLOWING THE WAR.

TO THIS DAY, THE ORDOT LANDFILL SERVES AS THE ONLY CIVILIAN

WASTE DISPOSAL FACILITY ON OUR ISLAND. AS A RESULT OF A WIDE RANGE OF ENVIRONMENTAL CONCERNS, THE ORDOT LANDFILL HAS BEEN ON THE NATIONAL PRIORITY LIST SINCE 1982 AS A SUPERFUND CANDIDATE. A STUDY TO BE COMPLETED THIS YEAR WILL DETERMINE THE LEVEL AND EXTENT OF TOXIC AND HAZARDOUS WASTES PRESENT IN THE DUMP.

YOUR SUPPORT OF THIS PROJECT WOULD ALLOW US TO UPGRADE AND EXPAND THE LANDFILL TO INCREASE ITS CURRENT PROJECTED USEFUL LIFE OF TWO YEARS BY ANOTHER 20 YEARS. THE ONLY ALTERNATIVE IS THE DEVELOPMENT OF A NEW LANDFILL AT TWICE THE COST OF THIS PROJECT.

WATER_SYSTEM_IMPROVEMENTS

OUR ISLAND WATER SYSTEM HAS BEEN A LONG-STANDING TOPIC OF MUTUAL CONCERN HERE IN THE CONGRESS AND AT HOME. WE SEEK FUNDING FOR FOUR PROJECTS TOTALLING $13 MILLION.

PRIOR FUNDING SUPPORT FROM THE CONGRESS HAS CONTRIBUTED SIGNIFICANT IMPROVEMENTS TO THE SYSTEM. WE HAVE MADE IT THROUGH THE DRY SEASON SO FAR THIS YEAR WITHOUT THE CHRONIC SHORTAGES THAT HAVE PLAGUED US IN PREVIOUS YEARS. BUT PROBLEMS STILL RIDDLE THE SYSTEM, WHICH WE INHERITED FROM THE NAVAL GOVERNMENT AND WHICH HAS BEEN HARD PRESSED TO MEET THE DEMANDS OF OUR BURGEONING POPULATION.

THE SYSTEM IS MANAGED BY OUR PUBLIC UTILITY AGENCY OF GUAM, WHICH HAS MADE CONSIDERABLE ADVANCES IN ITS UPHILL BATTLE TO MAINTAIN AN AGING SYSTEM AND CLOSE THE GAPS IN WATER SERVICE TO THE PUBLIC. THE P.U.A.G. HAS RECENTLY IMPLEMENTED A RATE INCREASE MANDATED BY OUR PUBLIC UTILITIES COMMISSION TO PROVIDE FOR FULL COST RECOVERY. THIS NEW RATE STRUCTURE WILL REPLACE THE FORMERLY MASSIVE SUBSIDIES TO THE AGENCY FROM THE GOVERNMENT'S GENERAL FUND. HOWEVER, THE AGENCY IS ONLY ALLOWED BY LAW TO GENERATE REVENUE SUFFICIENT TO COVER THE COST OF ITS OPERATIONS.

WE THEREFORE ASK YOUR SUPPORT FOR CAPITAL FUNDING TO CONSTRUCT TWO NEW RESERVOIRS AND BUILD 22.7 MILES OF TRANSMISSION AND DISTRIBUTION LINES.

MENTAL_HEALTH_FACILITY

FOR FISCAL YEAR 1986, CONGRESS APPROPRIATED $199,000 FOR ARCHITECTURE AND ENGINEERING DESIGNS FOR A NEW GUAM MENTAL HEATH FACILITY. OUR DEPARTMENT OF PUBLIC WORKS IS WORKING CLOSELY WITH THE DEPARTMENT OF MENTAL HEALTH TO COMPLETE THE DESIGN WORK IN THE HOPE THAT CONGRESS WILL PROVIDE $4.2 MILLION FOR CONSTRUCTION IN THE COMING FISCAL YEAR.

THE DEPARTMENT OF MENTAL HEALTH CURRENTLY OPERATES OUT OF PART OF AN ABANDONED HOSPITAL FACILITY. ALTHOUGH THE DEPARTMENT HAS MADE SIGNIFICANT IMPROVEMENTS USING IN-HOUSE RESOURCES, THE FACILITY'S FUNDAMENTAL STRUCTURAL AND SAFETY PROBLEMS ARE INCURABLE.

IN ADDITION TO OUT-PATIENT SERVICES, THE DEPARTMENT IS MANDATED TO PROVIDE IN-PATIENT SERVICES TO THE MENTALLY RETARDED, THE CHRONICALLY MENTALLY ILL, THE CRIMINALLY INSANE, THE ACUTELY MENTALLY ILL, AND COURT REFERRALS FOR PSYCHIATRIC EVALUATION. THE DEPARTMENT'S CURRENT QUARTERS DO NOT ALLOW ADEQUATE SEGREGATION OF THESE VARIOUS CLASSES OF PATIENTS, WHICH HAS LED TO A STRING OF COURT SUITS AGAINST THE GOVERNMENT.

SOUTHERN HIGH SCHOOL

RECENT POLITICAL DEVELOPMENTS IN THE WESTERN PACIFIC SERVE TO UNDERSCORE GUAM'S VITAL AND STRATEGIC ROLE IN MAINTAINING A STRONG AMERICAN PRESENCE IN THE REGION.

HOWEVER, THERE IS A GROWING CONCERN THAT OUR EDUCATIONAL FACILITIES ARE NOT ADEQUATE TO MEET THE GROWING POPULATION OF OUR SOUTHERN COMMUNITIES, AS WELL AS THE INCREASING POPULATION OF MILITARY DEPENDENTS ASSOCIATED WITH U.S. NAVAL STATION GUAM.

THE SOUTHERN DISTRICT IS CURRENTLY SERVED BY TWO HIGH SCHOOLS, WHICH WERE CONVERTED FROM JUNIOR HIGH SCHOOLS. AS A RESULT, THEY LACK MANY OF THE REQUISITE FACILITIES OF A FULLY FUNCTIONING SENIOR HIGH SCHOOL. THE INCREASE IN MILITARY DEPENDENTS EXPECTED FROM THE ADDITIONAL HOMEPORTING OF NAVAL VESSELS AT APRA HARBOR WILL TAX THESE SCHOOLS TO THE POINT WHERE CONTINUED ACCREDITATION COULD BE JEOPARDIZED.

THE PROPOSED $18 MILLION PROJECT WILL PROVIDE A MUCH-NEEDED SOUTHERN HIGH SCHOOL THAT WE CAN MATCH THE EDUCATIONAL OPPORTUNITIES PROVIDED TO THE YOUNG PEOPLE OF OUR SOUTHERN COMMUNITIES, AS WELL AS NAVAL STATION DEPENDENTS TO THE OPPORTUNITIES AVAILABLE TO THEIR NORTHERN AREA COUNTERPARTS.

COMMERCIAL PORT INDUSTRIAL PARK AND INFRASTRUCTURE UPGRADE

THE TWO LARGEST IMPEDIMENTS TO THE FULL DEVELOPMENT OF GUAM'S COMMERCIAL PORT AREA HAVE BEEN THE CLOSE PROXIMITY OF THE NAVY'S AMMUNITION WHARF AND ITS ASSOCIATED PROTECTIVE ZONE AND THE EXTENSIVE MILITARY LAND HOLDING SURROUNDING THE PORT AREA.

WITH THE TRANSFER OF SEVERAL LARGE LAND TRACTS FROM THE NAVY TO THE GOVERNMENT OF GUAM AS MANDATED BY CONGRESS, AND THE RELOCATION OF THE AMMUNITION WHARF TO THE NAVY SIDE OF APRA HARBOR, PORT DEVELOPMENT CAN NOW PROCEED TO ITS FULL POTENTIAL.

LIKE THE TUMON BAY ROAD RECONSTRUCTION PROJECT, THE PORT PROJECT ENVISIONS A TOTAL PLANNING APPROACH TO DEVELOPMENT. YOUR FAVORABLE CONSIDERATION OF OUR REQUEST FOR $8.3 MILLION WILL FUND THE DESIGN WORK FOR A 50-ACRE MARINE-ORIENTED INDUSTRIAL PARK AT THE PORT AND THE CONSTRUCTION OF AN INTEGRATED WATER SYSTEM FOR THE AREA.

THE NEW WATER SYSTEM IS NECESSARY TO REPLACE THE CURRENT NAVY-OWNED SYSTEM, WHICH SERVES BOTH THE CIVILIAN POPULATION IN THE AREA AND COMMERCIAL ACTIVITIES AT THE PORT. BECAUSE THE

CURRENT LINES ARE OVERBURDENED, THE NAVY IS DISCOURAGING NEW WATER HOOK-UPS. THE COMMERCIAL PORT AREA CANNOT MEET ITS FULL POTENTIAL FOR DEVELOPMENT UNTIL A NEW INTEGRATED WATER SYSTEM IS INSTALLED TO SERVE BOTH THE CIVILIAN POPULATION OF THE SURROUNDING AREA AND THE HEAVY-DUTY NEEDS FOR FRESH WATER OF INDUSTRIAL ACTIVITY.

IN CONCLUSION, WE ARE AWARE OF THE SEVERE BUDGET PRESSURES FACING THE FEDERAL GOVERNMENT, AND THE COMPLICATIONS INTRODUCED BY GRAMM-RUDMAN. OUR LOCAL GOVERNMENT FACES SIMILAR PRESSURES AND IS CONTEMPLATING SIMILAR ACTION TO ADDRESS THEM.

NEVERTHELESS, THE PEOPLE OF GUAM HAVE FAITH THAT THE CONGRESS WILL NOT ALLOW GRAMM-RUDMAN TO STAND IN THE WAY OF ITS UNIQUE RESPONSIBILITIES AND COMMITMENTS TO OUR TERRITORY. WE RESPECTFULLY REQUEST YOUR CAREFUL AND FAVORABLE CONSIDERATION OF OUR REQUESTS. WE ARE RELUCTANT TO ASK FOR HANDOUTS. YET, WE BELIEVE THAT THIS RELATIVELY SMALL INVESTMENT IN GUAM'S CAPITAL INFRASTRUCTURE WILL ASSURE OUR TERRITORY'S CONTINUED ECONOMIC DEVELOPMENT AND LESSEN OUR DEPENDENCE ON FEDERAL ASSISTANCE IN THE FUTURE.

ONCE AGAIN, ON BEHALF OF ALL THE PEOPLE OF GUAM, I EXTEND OUR MOST SINCERE SI YU'US MA'ASE FOR YOUR CONTINUED FAVORABLE CONSIDERATION OF OUR NEEDS.

THANK YOU.

Mr. **Yates**. Your statement may be followed by that of the Honorable Ben Blaz who is a delegate from Guam. It may go into the record at this point.

[The statement of Hon. Ben Blaz follows:]

STATEMENT OF THE HONORABLE BEN BLAZ
DELEGATE FROM GUAM

BEFORE

THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES

ON THE DEPARTMENT OF INTERIOR FISCAL YEAR 1987 BUDGET

APRIL 29, 1986

STATEMENT OF THE HONORABLE BEN BLAZ
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES

APRIL 29,1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

THANK YOU FOR THE OPPORTUNITY TO OFFER TESTIMONY ON THE PROPOSED FY 1987 BUDGET FOR THE TERRITORY OF GUAM.

THE FY 1987 DEPARTMENT OF INTERIOR BUDGET AS SUBMITTED BY THE PRESIDENT PROVIDED LIMITED FUNDS FOR NEEDED CAPITAL IMPROVEMENT PROJECTS FOR GUAM. WHILE WE ALL RECOGNIZE THE PRESIDENT'S EFFORTS TO BALANCE THE NATIONAL BUDGET BY IMPLEMENTATION OF THE GRAMM-RUDMAN-HOLLINGS ACT, THIS CONGRESS HAS FOR SOME TIME RECOGNIZED THE IMPORTANCE OF THE ROLE OF THE FEDERAL GOVERNMENT IN THE DEVELOPMENT OF INFRASTRUCTURE IN GUAM. SUCH A POLICY EMBRACES NATIONAL SECURITY AND ECONOMIC DEVELOPMENT NEEDS, THUS ENSURING THAT AMERICANS ON GUAM HAVE ACCESS TO THE BASIC SOCIAL AND ECONOMIC SERVICES THAT ARE AVAILABLE TO AMERICANS ELSEWHERE.

CONGRESS HAS ALSO RECOGNIZED THAT THE PROVISION OF INFRASTRUCTURE IN THE SHORT-RUN WILL ENABLE THE TERRITORIAL GOVERNMENT TO ASSUME A GREATER SHARE IN THE RESPONSIBILITY FOR THE FINANCING OF OTHER CAPITAL PROJECTS IN THE LONG-RUN. PUBLIC INVESTMENTS IN FACILITIES CONTRIBUTE TO THE ECONOMIC DEVELOPMENT OF COMMUNITIES. THE AVAILABILITY OF MODERN PUBLIC FACILITIES SERVES AS A CATALYST TO ATTRACT NEW INDUSTRIES AND BUSINESSES, WHICH IN TURN CREATE JOBS AND OTHER SERVICES FOR THE COMMUNITY. CAPITAL IMPROVEMENT FUNDING IS AN INTEGRAL COMPONENT IN GUAM'S EFFORTS TO BECOME ECONOMICALLY SELF-SUFFICIENT AND TO REDUCE ITS OVERALL DEPENDENCE UPON THE FEDERAL GOVERNMENT FOR FINANCIAL ASSISTANCE. FOR THESE REASONS, I AM APPEALING TO YOU FOR CONSIDERATION AND SUPPORT FOR APPROPRIATIONS ON CERTAIN PRIORITY ITEMS WHICH DIRECTLY AFFECT THE HEALTH AND WELFARE OF THE CITIZENS OF THE TERRITORY OF GUAM.

WATER PROJECTS:

THE DEFICIENCY OF THE WATER INFRASTRUCTURE DEVELOPMENT IN GUAM, PARTICULARLY IN WATER TRANSMISSION AND DISTRIBUTION, IS SO SERIOUS THAT IT HAS LED TO CRISIS CONDITIONS IN THE SOUTHERN PART OF THE TERRITORY. IN ADDITION, THE GUAM WATER DELIVERY AND STORAGE SYSTEM IS IN NEED OF CONSTRUCTION OF NEW LINES AND STORAGE FACILITIES AND EXTENSIVE REPAIR TO EXISTING ONES. IN RECOGNITION OF THIS PROBLEM, CONGRESS AUTHORIZED $16.3 MILLION IN PUBLIC LAW 98-454 TO FUND THE NECESSARY IMPROVEMENTS. I AM PLEASED THAT THE PRESIDENT HAS INCLUDED IN THE BUDGET $3,500,000 FOR GUAM'S WATER SYSTEM FOR FY 1987. THESE FUNDS WOULD BE USED TO RENOVATE THE MANGILAO TO CHALAN PAGO WATER LINES. I SEEK YOUR

FAVORABLE SUPPORT FOR THE FULL AMOUNT REQUESTED BY THE ADMINISTRATION.

MENTAL HEALTH/DRUG ABUSE FACILITY:

THE PEOPLE OF GUAM ARE DEEPLY GRATEFUL FOR THE APPROPRIATIONS MADE IN FY 1986 TO DESIGN A MENTAL HEALTH/DRUG ABUSE FACILITY IN GUAM. THIS FACILITY IS BADLY NEEDED BECAUSE CARE IS CURRENTLY PROVIDED IN THE OLD GUAM MEMORIAL HOSPITAL WHICH HAS SERIOUS STRUCTURAL DEFICIENCIES, POSING A THREAT TO SAFETY AS WELL HINDERING THE TREATMENT OF PATIENTS. WE ARE SEEKING AT THIS TIME $1,450,000 FOR THE FIRST PHASE OF CONSTRUCTION WHICH WILL ACCOMMODATE ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH SERVICES.

GUAM POWER AUTHORITY LOAN SUBSIDY:

WE ARE EQUALLY GRATEFUL FOR THE INITIATIVES TAKEN BY CONGRESS TO ENSURE THAT GUAM HAS RELIABLE, ADEQUATE, AND REASONABLE ELECTRIC POWER SERVICE AND TO PUT THE GUAM POWER AUTHORITY ON A SOUND FINANCIAL BASE.

THE OMNIBUS TERRITORIES ACT OF 1984 REQUIRED THE SECRETARY OF THE INTERIOR TO GUARANTEE THE REFINANCING OF AN EXISTING $36 MILLION LOAN TO THE GUAM POWER AUTHORITY (GPA) BY THE FEDERAL FINANCING BANK (FFB), AND AUTHORIZED TO BE APPROPRIATED TO THE SECRETARY SUCH SUMS AS ARE NECESSARY TO PAY THE REPURCHASE PAYMENT THAT MAY BE REQUIRED, AND THE INTEREST RATE DIFFERENTIAL BETWEEN THE SEVEN PERCENT FIXED RATE GUARANTEED TO GPA AND THE FFB INTEREST RATE. I SEEK YOUR SUPPORT OF THE ADMINISTRATION'S REQUEST OF $1,606,000 AS THE FY 1987 ESTIMATE FOR THE PAYMENT OF THE INTEREST RATE DIFFERENTIAL. I ALSO REQUEST YOUR FAVORABLE SUPPORT TO INCREASE THIS AMOUNT TO $1,966,000, THE DIFFERENCE IS THE AMOUNT TO BE SEQUESTERED UNDER GRAMM-RUDMAN-HOLLINGS. SUCH AN INCREASE WOULD ENABLE THE DEPARTMENT OF INTERIOR TO MEET ITS FISCAL YEAR 1986 OBLIGATION REGARDING THE DEBT IN FISCAL YEAR 1987.

SECTION 30 FUNDS:

FOR THE PAST THIRTY FIVE YEARS, FEDERAL INCOME TAX COLLECTIONS FROM FEDERALLY-EMPLOYED GUAM RESIDENTS HAVE BEEN COLLECTED BY THE U.S. TREASURY AND SUBSEQUENTLY TRANSFERRED BACK INTO THE TERRITORIAL TREASURY. THESE REVENUES DERIVED FROM THE TERRITORY CONSTITUTE AN OBLIGATION OF THE FEDERAL GOVERNMENT TO GUAM PRIOR TO THEIR COLLECTION. THE PROCEDURE ESTABLISHED UNDER AUTHORITY OF SECTION 30 OF THE ORGANIC ACT OF GUAM PROVIDES THAT THE SECRETARY OF TREASURY, PRIOR TO THE COMMENCEMENT OF ANY FISCAL YEAR, SHALL REMIT TO THE GOVERNMENT OF GUAM THE AMOUNT OF DUTIES, TAXES, AND FEES WHICH GUAM AND THE DEPARTMENT OF INTERIOR HAVE ESTIMATED WILL BE COLLECTED IN OR DERIVED FROM THE TERRITORY. AT

THE END OF THE FISCAL YEAR, THE U.S. TREASURY DEDUCTS OR ADDS TO THE AMOUNTS ACTUALLY COLLECTED DURING THE PRIOR YEAR. THESE COLLECTIONS ARE NOT APPROPRIATIONS FROM THE FEDERAL GOVERNMENT.

THE IMPLEMENTATION OF THE GRAMM-RUDMAN-HOLLINGS ACT, WHICH HAS RESULTED IN AN INTERPRETATION THAT FEDERAL TAX COLLECTIONS FOR AND FROM GUAM ARE RESOURCES ELIGIBLE TO BE SEQUESTERED TO MEET DEFICIT REDUCTION TARGETS, IS CONTRADICTING THE TIME-HONORED COMMITMENT TO PASS ON THESE ESTIMATED COLLECTIONS IN FULL. WITHHOLDING A PORTION OF THESE COLLECTIONS FOR FEDERAL USE WOULD RESULT IN AN UNPRECEDENTED TRANSFER OF RESOURCES FROM THE TERRITORIAL TO THE FEDERAL GOVERNMENT.

AS THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET HAS EARLIER TESTIFIED BEFORE THE SENATE COMMITTEE ON IDENTIFYING SEQUESTRATION OF THESE PAYMENTS AS A DEFICIENCY IN PUBLIC LAW 99-177, THESE "FUNDS APPEAR IN THE BUDGET AS AN INCIDENTAL MATTER FOR CONVENIENCE OF ADMINISTRATION RATHER THAN AS A MEANS OF RESOURCE ALLOCATION."

I AM SEEKING YOUR FAVORABLE CONSIDERATION IN APPROPRIATING THE AMOUNT OF $29 MILLION ESTIMATED BY THE ADMINISTRATION TO BE COLLECTED IN FISCAL YEAR 1987 FOR GUAM, AND AN ADDITIONAL SUM OF $1,290,000, THE AMOUNT BEING SEQUESTERED IN FISCAL YEAR 1986.

ALIEN WORKERS:

IN ORDER TO PROVIDE MORE JOBS FOR THE AMERICAN CITIZENS IN GUAM AND TO ENSURE THAT FEDERAL CAPITAL IMPROVEMENT FUNDS REMAIN IN THE TERRITORY'S ECONOMY I ASK YOU TO HELP ME PHASEOUT THE USE OF ALIEN WORKERS ON ALL SUCH CAPITAL PROJECTS. OVER THE DECADES, SINCE THE END OF WORLD WAR II, GUAM'S CONSTRUCTION ECONOMY HAS BEEN DEPENDENT ON THE USE OF ALIEN LABOR TO THE DETRIMENT OF OUR AMERICAN WORKERS. CONSTRUCTION MONIES IN THE FORM OF WAGES AND PROFITS ARE CONSEQUENTLY SENT OUT OF GUAM BY FOREIGN WORKERS AND COMPANIES INSTEAD OF CIRCULATING THROUGHOUT THE ISLAND'S ECONOMY.

GUAM IS DOUBLY DISADVANTAGED BY THIS PRACTICE. FIRST, GUAMANIAN COMPANIES LOSE THESE PROJECTS AND YOUNG GUAMANIANS ARE NOT HIRED FOR THE JOBS. SECOND, THE PROJECT FUNDS LEAVE THE TERRITORY WITHOUT EVER BEING SPENT FOR HOMES, GROCERIES AND SERVICES. THE TIME HAS COME TO ENSURE THAT THE MONEY SPENT BY CONGRESS TO STIMULATE GUAM'S ECONOMY ACTUALLY STAYS IN GUAM. THIS CAN BE ACCOMPLISHED MOST SIMPLY BY REQUIRING THAT THE LABOR USED ON THESE CAPITAL IMPROVEMENT PROJECTS MUST BE AMERICAN. I AM PROVIDING THIS COMMITTEE A COPY OF THE LANGUAGE TO ACCOMPLISH THIS GOAL FOR YOUR CONSIDERATION AND ASK YOU TO GIVE IT YOUR SUPPORT. THIS AMERICAN LABOR REQUIREMENT WILL MULTIPLY THE BENEFITS OF THESE CAPITAL PROJECTS TO BOTH GUAM AND OUR NATION'S ECONOMY AND LEAD MORE QUICKLY TO A SELF-SUFFICIENT GUAM.

GUAM POWER AUTHORITY LOAN

Mr. **Yates**. Let me ask you a question about your request for $1,606,000 for payment to the Federal Financing Bank of the interest rate differential for the Guam Power Authority refinancing.

Now, Gramm-Rudman caused a reduction in that of $362,000.

Governor **Bordallo**. True.

Mr. **Yates**. When will penalty interest begin to accrue on the shortfall?

Governor **Bordallo**. I guess it is immediate, already. I believe these people here would——

Mr. **Yates**. What is your answer, Mr. Heggestad.

Mr. **Heggestad**. September 30.

Mr. **Yates**. September 30. All right. Now, are you going to ask for money for that?

Mr. **Heggestad**. We will be short $347,000 on September's payment and we will have to make up the difference.

Mr. **Yates**. You are going to be short. Are you going to draw a penalty as a result of being short?

Mr. **Heggestad**. We will be drawing a penalty for a short number of days until we can get the payment made. It will be a week or two.

Mr. **Yates**. Why are you going to be short?

Mr. **Heggestad**. Because of the Gramm-Rudman-Hollings reductions.

Mr. **Yates**. All right. Why aren't you asking for the money to be put in the supplemental? You know there is going to be a shortfall and you know the money has to be paid; right?

Mr. **Heggestad**. That is right.

Mr. **Yates**. You know if you don't pay it there will be a penalty, right?

Mr. **Heggestad**. Well, I presume there will be a penalty.

Mr. **Yates**. There will be a penalty.

Mr. **Heggestad**. Under current policy, there will be a penalty.

Mr. **Yates**. What do you mean?

Mr. **Heggestad**. The Federal Financing Bank charges penalties.

Mr. **Yates**. Why don't you ask us for the money, if we can give it to you, since it is compulsory, Mr. Montoya?

Mr. **Montoya**. When this situation came up, we didn't anticipate that there would be a $367,000 shortfall. We talked about making that up from within the Department and we are reviewing that right now, Mr. Chairman.

Mr. **Yates**. Can you make it available without legislative approval? Can you transfer the money?

Mr. **Heggestad**. No, we can't, not without legislative approval.

Mr. **Yates**. You can by reprogramming, can't you? Is there a place you can reprogram this and ask for approval later?

Mr. **Montoya**. It is something we are talking about with the Department's budget office.

Mr. **Yates**. Shouldn't this be in the supplemental? Should I be offering an amendment to put this money in? We still have the supplemental pending in the House.

Mr. **Montoya**. Well, the payment needs to be made.

Mr. **Yates**. Right. In spite of what OMB tells you, and lays its heavy hand to prevent you from telling us these things you should—did you by any chance request this money from OMB?

Mr. **Montoya**. At the time we were developing the budget, we didn't know that we were going to have a short fall of $367,000, Mr. Chairman.

Mr. **Yates**. You first knew that when? A couple months ago? Did you then ask OMB?

Mr. **Heggestad**. After the sequestration.

Mr. **Yates**. So then did you go to OMB and ask them for the money?

Mr. **Heggestad**. We have discussed it with OMB, but we did not make a formal request.

Mr. **Yates**. Why did you not?

Mr. **Montoya**. We were thinking that we could make it up in the next year's budget.

Mr. **Yates**. You mean to go with paying the penalty?

Mr. **Montoya**. Yes, sir.

Mr. **Heggestad**. I don't believe the penalty will be a significant amount.

Mr. **Yates**. How much will the penalty be?

Mr. **Heggestad**. It probably runs about $200 a day, so it might be a matter of two or three thousand dollars, I would say, at the most.

Mr. **Yates**. $200 a day. So that is $1,000 for five days, right? And for three thousand dollars, that is 15 days. When do you anticipate Congress will pass the 1987 budget?

Mr. **Heggestad**. I am hoping October 1st.

Mr. **Yates**. You are. When did Congress pass its budget last year, and the year before, and the year before? In December.

Mr. **Heggestad**. We would still have a continuing resolution, I hope, or else we would all be out and that would be covered there as well.

Mr. **Yates**. Okay. How much is the interest?

Mr. **Montoya**. The short fall is $347,000.

GUAM INCOME TAX PAYMENTS

Mr. **Yates**. All right. Now, under permanent appropriation, Guam is supposed to have advance payments of U.S. income tax collections. Has the 1986 amount been reduced because of Gramm-Rudman?

Mr. **Montoya**. Yes.

Mr. **Yates**. Do you think it is appropriate for this kind of account to be reduced under Gramm-Rudman?

Mr. **Montoya**. Given the legislation, it is pretty clear that it is a fund that is covered by Gramm-Rudman.

Mr. **Yates**. Yes. That is not the question. The question is, it is covered but it should not be really, should it, because Guam needs the money in order to run its government. Why should it have a cut?

Mr. **Montoya**. That would be an issue that I think Congress would have looked at when they were voting on Gramm-Rudman-Hollings.

Mr. Yates. I would have thought Congress should have looked at it, too, but there are a lot of things Congress should have looked at, and should not have passed Gramm-Rudman.

Now, are you suggesting any remedy for this? Do you want Congress just to look at it? If you were on this side, you wouldn't want this money deleted, would you? Doesn't make sense to delete it, does it? You are going to have to make it up anyway. Isn't that right?

Mr. Montoya. Mr. Chairman, I would comply with Gramm-Rudman and Gramm-Rudman didn't allow for any exemptions.

Mr. Itteilag. Mr. Chairman, may I comment on that?

Mr. Yates. You may in just a moment. You will have to hold yourself in check for just a moment. I want to apologize to Speaker Gutierrez because inadvertently I omitted putting his written statement into the record.

Mr. Gutierrez, you want to come forward and join the others.

[The statement of Mr. Gutierrez follows:]

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CARL T.C. GUTIERREZ
Speaker

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SPEAKER CARL T.C. GUTIERREZ'

TESTIMONY

BEFORE THE UNITED STATES HOUSE

APPROPRIATIONS SUBCOMMITTEE ON

INTERIOR AND RELATED AGENCIES

ON THE DEPARTMENT OF INTERIOR FISCAL YEAR 1987 BUDGET

APRIL 29, 1986

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, MY NAME IS CARL T. C. GUTIERREZ AND I AM THE SPEAKER OF THE EIGHTEENTH GUAM LEGISLATURE. I AM HERE TO EXPRESS MY STRONG SUPPORT FOR THE BUDGET THAT HAS BEEN WORKED OUT WITH THE DEPARTMENT OF THE INTERIOR, AND ONE THAT WILL HELP GUAM THROUGH POSSIBLE FUTURE GRAMM-RUDMAN BUDGET REDUCTIONS.

THERE ARE AT LEAST THREE BASIC REASONS TO SUPPORT THIS BUDGET FOR THE TERRITORY OF GUAM.

FIRST, IN IMPLEMENTING THE GRAMM-RUDMANN ACT IT IS IMPERATIVE TO NOTE THAT GUAM'S PRIVATE ECONOMY IS STILL IN ITS FIRST GENERATION. SECOND, GUAM REMAINS SIGNIFICANTLY RESTRICTED, BOTH ECONOMICALLY AND POLITICALLY, BY SEVERAL ASPECTS OF OUR FEDERAL-TERRITORIAL RELATIONSHIP. AND FINALLY, GUAM HAS GIVEN UP A FULL ONE THIRD OF ITS TOTAL LAND AREA FOR USE BY THE FEDERAL-GOVERNMENT WITHOUT ONE CENT OF RENT BEING CHARGED. AS WE ON GUAM DO NOT ENJOY THE FULL RIGHTS OF THE CONSTITUTION AND THE FULL ECONOMIC OPPORTUNITIES AVAILABLE TO THE FIFTY STATES, YOU SHOULD FEEL COMFORTABLE IN IMPOSING LESSER RESTRICTIONS ON OUR ECONOMY DURING YOUR EFFORTS TO BALANCE THE NATIONAL BUDGET.

PLEASE LOOK AT ALL THE "IN-KIND" CONTRIBUTIONS THE TERRITORY OF GUAM MAKES TO THE FEDERAL GOVERNMENT. THE DEPARTMENT OF DEFENSE SAVES MILLIONS OF DOLLARS ANNUALLY BY ENJOYING THE FREE USE OF CHAMORRO LANDS FOR THE WESTERN PACIFIC HEADQUARTERS OF THE THIRD AIR DIVISION OF THE STRATEGIC AIR COMMAND, AND THE COMMANDER OF NAVAL FORCES IN THE MARIANAS IN SUPPORT OF THE SEVENTH FLEET. I AM SURE YOU AGREE THAT THE PEOPLE OF GUAM ARE AMONGST THE MOST LIKELY TO SUFFER

THE EFFECTS OF RETALIATORY TERRORIST ACTIONS AGAINST THE UNITED STATES. IN ADDITION, THE SIMPLE PRESENCE OF SUCH MILITARY FACILITIES RETARDS THE POTENTIAL GROWTH RATE OF OUR FLEDGING ECONOMY.

PLEASE CONSIDER ALSO THAT GUAM HAS NO REAL NATURAL RESOURCES TO EXPLOIT OTHER THAN THE BEAUTY OF OUR ISLAND AND THE HOSPITALITY OF OUR PEOPLE. OUR TOURISM INDUSTRY IS OUR ONLY SERIOUS INDUSTRY. IT GIVES STABILITY TO OUR ISLAND. WE HAVE NO OTHER RESOURCE TO FALL BACK ON SHOULD GRAMM-RUDMANN BUDGET CUTS TAKE EFFECT. THIS IS WHY I ASK YOU TO SUPPORT THE INTERIOR DEPARTMENT PROPOSAL WORKED OUT BY CONGRESSMAN BLAZ.

I BELIEVE THIS YEAR'S APPROPRIATION WILL BE FUNDS WELL SPENT. WE ARE DOING OUR PART TO ENSURE THE PROPER USE OF BOTH FEDERAL AND LOCAL MONIES. I HAVE NO DOUBT YOU ARE AWARE OF THE WORK OF THE FEDERAL BUREAU OF INVESTIGATION ON GUAM. THE GUAM LEGISLATURE HAS ADOPTED A RESOLUTION REQUESTING CONGRESSMAN BLAZ TO SPONSOR LEGISLATION IN THIS CONGRESS ALLOWING GUAM TO CREATE THE INDEPENDENT OFFICES OF PUBLIC AUDITOR AND PUBLIC PROSECUTOR.

ALTHOUGH OUR WHITE COLLAR CRIME TASK FORCE, CREATED DURING THE TENURE OF THE SEVENTEENTH GUAM LEGISLATURE, HAS DONE A FINE JOB OF BEGINNING THE PROCESS OF SELF-POLICING THE GOVERNMENT OF GUAM, THE EIGHTEENTH GUAM LEGISLATURE NOW FEELS THAT LOCAL PROSECUTORS AND AUDITORS SHOULD BE GIVEN FULL INDEPENDENCE. TODAY, THE TASK FORCE IS UNDER THE DIRECTION OF OUR LT. GOVERNOR. AND, ALTHOUGH THE TASK FORCE HAS CONVICTED SOME EMPLOYEES OF THIS ADMINISTRATION, WE BELIEVE THAT PROSECUTORS AND AUDITORS MUST BE COMPLETELY INDEPENDENT OF POLITICS TO BE TRULY EFFECTIVE.

ONE IMPORTANT ASPECT OF OUR PROPOSAL TO AMEND THE ORGANIC ACT SEEMS TO HAVE BEEN OMMITTED IN PENDING SENATE LEGISLATION, THIS BEING THE INSTITUTION OF AN INDEPENDENT OFFICE OF THE CIVIL SERVICE COMMISSION. LAST YEAR, AS A RESULT OF ONE CONTROVERSIAL DECISION, THE ENTIRE CIVIL SERVICE COMMISSION ON GUAM WAS FIRED. BY DOING SO, THE GOVERNOR INJECTED POLITICS INTO A BODY DESIGNED TO PROTECT PUBLIC EMPLOYEES FROM POLITICAL PRESSURE. WE NEED TO CREATE A TRULY INDEPENDENT CIVIL SERVICE COMMISSION TO AUGMENT THE OFFICES OF PUBLIC PROSECUTOR AND PUBLIC AUDITOR IF WE ARE TO PROTECT HONEST EMPLOYEES FROM CORRUPTING PRESSURES IMPOSED ON THEM BY DISHONEST PUBLIC SERVANTS.

AGAIN, THANK YOU FOR ALLOWING ME THIS OPPORTUNITY TO SPEAK IN SUPPORT OF THE PROPOSED FY' 1983 BUDGET FOR THE TERRITORY OF GUAM. AND I URGE YOUR SUPPORT FOR THE PASSAGE OF H.R. 2478, WHICH PASSED THE SENATE AS S.J. 192, WITH THE INCLUSION OF AN AUTHORIZATION FOR GUAM TO CREATE AN INDEPENDENT CIVIL SERVICE COMMISSION.

GUAM INCOME TAX PAYMENTS

Mr. YATES. Mr. Montoya and the committee have been batting around some of Guam's problems and I can see you are going to have several shortfalls because of Gramm-Rudman. There is $347,000. How much will Gramm-Rudman cost you in the amount available out of income tax collection? Do you have any idea?

Governor BORDALLO. My fiscal policy expert, Dave Santos.

Mr. SANTOS. About $1.2 million. I think what is important to note about Section 30 taxes is that unlike the Virgin Islands' rum tax, these taxes represent actual withholdings of not only military personnel stationed in Guam, but a lot of the Federal civil service employees who live on Guam or have resettled in Guam, and benefit from the Government services. The $1.2 million sequester would actually mean the Department would have to pay income tax refunds from a source that is not there because these people file returns with the Government of Guam.

Mr. YATES. All right. Governor, what is it you want to tell us about Guam?

SUMMARY STATEMENT OF GOVERNOR BORDALLO

Governor BORDALLO. I just wanted to make a comment aside from my statement because the statement is now submitted as part of the record. I couldn't help but detect the sensitivity that the Chairman has for the sanctities of our agreement between the Government of the United States and these small, far-flung dependencies out there in the Pacific.

I am very pleased to hear that since it has been very rare in my visits to Washington. Within a great Nation like the United States of America, many times our problems are not well understood because it is difficult to communicate. It is very nice for the former Trust Territory, the Northern Marianas, to refer to a Covenant. We have nothing to refer to, and I would like to put that in historic perspective, Mr. Chairman, because for a person in my generation it becomes almost an embarrassment because we look like we come here asking for handouts.

The thrust of my leadership, because it happens to be something I believe in and it is the way I was brought up and it is the way our people are, is that we work for things we get in life. But many times as we prepare programs for such objectives, it is the Federal Government that upsets the apple cart.

For example, there is a mention of the economic boom in Guam and suddenly we hear from the Federal Government that they would disrupt the H-2 program. These are temporary aliens that come in, because we don't have enough workers on Guam.

Now, a Governor is not going to survive in his community to prefer alien workers to his own people. But it is economic survival, too, to build up in order that we have the structure of an economy, that can generate the income for us.

So this is one of the areas that is now in jeopardy. I think it has a serious impact on your committee to know that the more we have these kinds of viable programs, the less monies you have to worry about doling out to our community.

But, hopefully you can also appreciate the fact that maybe the equivalent of a Compact that we can refer to would be back to the original treaty with the Spanish Government whereby the United States became responsible for the economic, political and educational development of the people. It is in these areas where we have hardly caught up, Mr. Chairman.

You look at the priority of the five submissions today. One of them is a high school. But it is not only local people who benefit from it. The security interest of the United States is very highly affected because you can't have those military dependents contented to live on Guam, and have social tranquility among their family and children, and not have the best education possible.

So if one looks at it from that viewpoint, it is not really enough to say that in the states we generally have education districts and we tax separately for such matters. It is a very unique kind of situation.

I am told by my director, Mr. Chairman, that if the record is looked into on just this short-changing by the Federal Government of our territory on Federal impact money, there would be more than $17 million. We could just file to build that high school because over the years we have been short-changed by that much.

GUAM'S ORDOT LANDFILL

Mr. **Yates**. Let me ask you the question. You have five projects that are listed in your capital improvement program.

Governor **Bordallo**. That is right.

Mr. **Yates**. The Ordot landfill, $2,338,000. What is the nature of that landfill?

Governor **Bordallo**. That is where we are reaching the end of the rope to be able to continue dumping in this landfill, because of the possible restriction by the Federal Government through environmental controls and by the fact that physically it is already being overtaxed.

We only have about two more years to do something. We are coming up with an alternative and that is burning the rubbish, which could stretch that facility for some time. But prior to doing that, we need the monies.

Mr. **Yates**. What about the environmental effects of burning the rubbish?

Governor **Bordallo**. No. That will meet EPA standards. That is the long-term solution.

But right now, the funding is needed to just cope with the immediate physical threat we face today.

GUAM WATER IMPROVEMENTS

Mr. **Yates**. What about the $13 million for water projects?

Governor **Bordallo**. I have to disagree respectfully with the Executive Branch, but we can implement any money you give us for water with the resources we have. We have, in fact, designs waiting right now. So just give us the money and we can begin to construct in two to three months. That happens to be a fact.

Mr. **Yates**. Those are cost effective, aren't they? You get that money back in water rates, don't you?

Governor BORDALLO. Yes. There has been a major increase in water rates on Guam which is causing a ruckus right now.

Mr. YATES. Our good friend, Mr. Montoya, shakes his head "no".

Governor BORDALLO. What? Maybe I misunderstood the question. What is the question?

Mr. YATES. The question is whether or not you get the money back in water rates for the cost of the money.

Governor BORDALLO. Our water rates are based to cover operations. We don't generate capital money through water rates.

GUAM MENTAL HEALTH FACILITY

Mr. YATES. Then you have a mental health facility.

Governor BORDALLO. That is a critical problem.

Mr. YATES. That is the money we were discussing, planning, and you fellows don't want to give them the money for 1987, do you?

Mr. MONTOYA. Not in 1987.

Mr. YATES. When do you want to give it to them?

Mr. MONTOYA. 1988 would be more appropriate, Mr. Chairman.

Mr. YATES. Do you want to give it to them in 1988?

Mr. MONTOYA. It would be discussed as we get into the formulation process of the 1988 budget.

Mr. YATES. With whom?

Mr. MONTOYA. With the governments and the Department's budget office. Our budget office has gone out with a budget call.

GUAM SOUTHERN HIGH SCHOOL

Mr. YATES. How many patients can they take care of with plans and design without construction? Southern High School, $18 million. What is your feeling about that? Do they need a high school?

Mr. MONTOYA. I think a lot of these projects, Mr. Chairman——

Mr. YATES. Let's talk about the high school.

Mr. MONTOYA [continuing]. Could be developed with local revenues.

Mr. YATES. Does that mean you don't want to give them any money for the Southern High School?

Mr. MONTOYA. I don't think that it would be appropriate given our budgetary constraints to talk about $18 million. It is not that the project is not worthwhile.

Mr. YATES. Do you want to cost share with them? Do you want to give them $9 million?

Mr. MONTOYA. We have looked at the allocation of monies that we have for fiscal year 1987, Mr. Chairman, and $3.5 million is all we can afford.

Mr. YATES. For the high school?

Mr. MONTOYA. For the water.

Mr. YATES. What about the high school? Not even A&E for the high school?

Mr. MONTOYA. I don't believe so.

Governor BORDALLO. I have already invested in that, sir. It is all paid for. We are ready for construction.

In my first term, we put half a million dollars into plans and specifications. It is all ready.

Mr. YATES. You don't want to give them a high school?

Mr. MONTOYA. I don't think we can afford it, Mr. Chairman.

Mr. YATES. All right. So where are those high school students taken care of now?

Governor BORDALLO. They are going to have substandard facilities in what was the expedient——

Mr. YATES. What does that mean, are they in "portables"?

Governor BORDALLO. They use an elementary school, a junior high that was converted.

Mr. YATES. Have you been to Guam?

Mr. MONTOYA. I have indeed.

Mr. YATES. Have you seen this?

Mr. MONTOYA. I have.

Mr. YATES. What is you feeling with the high school? Let them go along as they are going along?

Mr. MONTOYA. Well, I think that local funds can take care of many of these projects, Mr. Chairman. We have budgetary——

Mr. YATES. You mean this is a wealthy community?

Mr. MONTOYA. It is not a wealthy community.

Governor BORDALLO. Lowest per capita income in the United States.

Mr. MONTOYA. It should be able to set priorities and if their top priority is the high school, then by gosh——

GUAM CONSTRUCTION PRIORITIES

Mr. YATES. If you are going to give them $3.5 million, that munificent sum—let me ask the Governor that question.

Governor, you have got $3.5 million out of your proposed budget of $45,790,000 for construction projects. Where are you going to invest that? Where would you invest it, Mr. Montoya, out of the $45 million?

Mr. MONTOYA. In the water line.

Mr. YATES. What are you going to do with the others? Let Guam take care of them by themselves; right?

Mr. MONTOYA. I would.

Mr. YATES. You wouldn't even build their mental health facility for them?

Mr. MONTOYA. Mr. Chairman, there are priorities that need to be set. The island leaders need to set those priorities.

Mr. YATES. They have. They have set five of them. As I understand what you have done, you have set five priorities.

Governor BORDALLO. Exactly.

Mr. YATES. Are you telling the committee these are not well considered and necessary projects?

Mr. MONTOYA. I am sure they are all well considered and necessary projects but there are questions of budgetary constraints. You know better than probably any of us in this room what happens if we don't pass the President's budget and we go over the Gramm-Rudman target.

Mr. YATES. The President's budget? Who in the Congress approved the President's budget?

Can you name one person who voted for it?

Mr. MONTOYA. The pending budget, Mr. Chairman.

Mr. YATES. That is the 1987 budget.

Mr. **Montoya**. That is correct.

Mr. **Yates**. Every Republican Senator on the budget committee voted against it, didn't they?

Mr. **Montoya**. The budget was set up so that we don't run into sequestration by going over the Gramm-Rudman-Hollings target.

Mr. **Yates**. All right.

Governor, do you have a schedule of phased construction for your various projects?

Governor **Bordallo**. Certainly for those five. We are ready to move as soon as we have the funds, yes.

Mr. **Yates**. How long will it take you to build the high school?

Governor **Bordallo**. That will take almost two years for construction if we started towards the end of the year.

Mr. **Yates**. Your capability statement for capital improvement may go into the committee files.

Governor **Bordallo**. I would like to state for the record, again, Mr. Chairman, I even submitted a deficit elimination plan which is in my testimony just to show you the philosophy of the leadership to try to cope with the deficits.

Mr. **Yates**. You are here at the wrong time, Governor. Shouldn't you be back in Guam greeting the President?

Governor **Bordallo**. The Lieutenant Governor took good care of him, sir. This is very important for our people. That is why I am here.

Mr. **Yates**. Anyone else want to say anything?

Mr. **Gutierrez**. It is quite gratifying to be on this side of the table from Mr. Montoya, but I am here to lend support to the Governor's request on our priorities. We are hoping after so many years of planning by the Bordallo Administration to get these projects going. Hopefully, with your sensitivity, we might be able to get some things moving and with the blessing of Mr. Montoya.

Mr. **Yates**. You have got a barrier in Gramm-Rudman this year, Mr. Speaker, and I don't know if we can avoid it very much. It is very tough.

I know things are tough on Samoa and Guam and the other islands, and the territories ought to be given a very sympathetic review. If we can do it, we will be helpful.

Governor **Bordallo**. I appreciate that very much.

Mr. **Yates**. We thank you all for coming.

Tuesday, April 29, 1986.

AMERICAN SAMOA

WITNESSES

HON. FOFO SUNIA, A DELEGATE IN THE HOUSE OF REPRESENTATIVES FROM THE TERRITORY OF AMERICAN SAMOA

A.P. LUTALI, GOVERNOR OF AMERICAN SAMOA

LETULI TOLOA, PRESIDENT OF THE SENATE, AMERICAN SAMOA

TUIAFONO MATA'UTIA, SPEAKER, HOUSE OF REPRESENTATIVES, AMERICAN SAMOA

LETALU MOLIGA, BUDGET DIRECTOR

Mr. YATES. Now we have Delegate Sunia, who is here. Governor Lutali, would you come up? Your statements may be made part of the record. The statements of Letuli Toloa and Tuifono Mata'utia be made part of the record, as well.

[The statements of Hon. Fofo Sunia, Hon. A.P. Lutali, Hon. Letuli Toloa, Hon. P. Tuiafono Mata'utia follow:]

THE HONORABLE FOFO I.F. SUNIA

MEMBER OF CONGRESS FROM AMERICAN SAMOA

BEFORE THE COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON INTERIOR

TUESDAY, 29TH APRIL 1986, AT ELEVEN O'CLOCK

RAYBURN HOUSE OFFICE BUILDING, ROOM B-308

MR. CHAIRMAN, THANK YOU FOR THE OPPORTUNITY TO TESTIFY. LET ME ALSO EXTEND MY APPRECIATION FOR THE KEEN AND SINCERE ATTENTION THAT YOU AND YOUR STAFF ALWAYS GIVE THE PROBLEMS FACING AMERICAN SAMOA. OUR GOVERNOR AND OUR LEGISLATIVE LEADERS WILL SPEAK IN A FEW MOMENTS, BUT I WANT TO TAKE THIS OPPORTUNITY TO RAISE SOME POINTS WITH YOU ON BEHALF OF OUR ISLANDS.

AMERICAN SAMOA REQUESTED $29,617,500 IN GOVERNMENT OPERATIONS ASSISTANCE FOR FISCAL YEAR 1987. THE PRESIDENT PROPOSED ONLY $20,776,000.

OUT OF $12,534,500 THAT AMERICAN SAMOA REQUESTED FOR CAPITAL IMPROVEMENT PROJECTS SUCH AS REROOFING SCHOOL BUILDINGS, IMPROVING THE SEWER SYSTEM AND NEW FIRETRUCKS, THE BUDGET PROPOSED JUST $2,730,000.

THE HOUSE INTERIOR AND INSULAR AFFAIRS COMMITTEE HAS RECOMMENDED THAT FEDERAL ASSISTANCE FOR THE TERRITORY'S ESSENTIAL INFRASTRUCTURE NEEDS BE CONTINUED AT CLOSE TO THE CURRENT LEVEL OF $5,633,000. IT URGED APPROPRIATION OF FUNDS TO BUILD NEW CLASSROOMS AND ATHLETIC AND HEALTH FACILITIES AND TO MAKE HOUSING LOANS AVAILABLE, IN ADDITION TO THE PROJECTS PROPOSED BY THE PRESIDENT. THE HOUSE COMMITTEE'S ADD-ONS INCLUDED $990,000 FOR EIGHTEEN CLASSROOMS, EACH MEASURING FORTY-TWO FEET BY ONE HUNDRED AND COSTING $55,000; $333,000 FOR AN INDOOR GYMNASIUM, A CONTINUATION OF A PROGRAM YOU APPROVED LAST YEAR; $980,000 FOR THE HOUSING LOANS FROM THE AMERICAN SAMOA GOVERNMENT DEVELOPMENT BANK; AND $600,000 FOR MEDICAL EQUIPMENT.

THE HOUSING FUND IS A PROGRAM BEGUN IN 1985, MADE IN RECOGNITION OF THERE NOT HAVING BEEN H.U.D. PROGRAMS FOR THE

TERRITORY. I HAVE APPENDED INFORMATION ON HOUSING LOANS FROM THE AMERIKA SAMOA DEVELOPMENT BANK. RECOGNIZING THE FISCAL PRESSURES ON THE FEDERAL BUDGET, I AM CONFINING MY REQUEST TO YOU TO THIS RECOMMENDATION.

I ALSO WANT TO EMPHASIZE THAT AMERICAN SAMOA HAS BEGUN TO DEVELOP ALL FEASIBLE ADDITIONAL LOCAL REVENUES. A SALES TAX WAS INSTITUTED LAST YEAR, AND OTHER FEES, TARIFFS AND DUTIES ARE BEING CONSIDERED. FURTHER, A TASK FORCE IS STUDYING WAYS OF MEETING FUTURE FINANCIAL NEEDS.

I KNOW THAT YOU WILL GIVE OUR REQUESTS THE SAME SERIOUS CONSIDERATION THEY HAVE RECEIVED IN THE PAST. I HOPE YOU WILL DECIDE TO GRANT US THE ADDITIONAL ASSISTANCE AS RECOMMENDED BY THE HOUSE INTERIOR COMMITTEE. THE GOVERNOR OF AMERICAN SAMOA AND THE LEADERS OF THE FONO HAVE A LIST OF ADDITIONAL NEEDS THAT THEY REQUESTED THROUGH BUT HAVE FAILED TO BE RECOMMENDED BY THE DEPARTMENT OF THE INTERIOR. PLEASE HELP US IMPROVE EDUCATION, HOUSING AND HEALTH IN THE ONLY TERRITORY SOUTH OF THE EQUATOR, IN AN INCREASINGLY IMPORTANT AREA OF THE WORLD.

DATA ON HOUSING LOANS FROM THE AMERICAN SAMOA GOVERNMENT

SOURCE: LELAND KORKLIN, PRESIDENT
AMERIKA SAMOA DEVELOPMENT BANK

1. THE NUMBER OF APPLICANTS ON THE WAITING LIST FOR HOUSING LOANS IN AMERICAN SAMOA IS ABOUT 1450.

2. CONGRESS APPROVED $980,000 FOR HOUSING LOANS IN F.Y. '84. D.O.I. HELD UP THE FUNDS UNTIL MANAGEMENT PROBLEMS AT THE BANK WERE RESOLVED. I AM PLEASED THAT EVERYTHING HAS BEEN CLEARED UP, AND THE FUNDS WERE RELEASED LAST MONTH. THEY WILL IMMEDIATELY TAKE CARE OF THIRTY-TWO APPLICANTS WHO ARE AT THE TOP OF THE WAITING LIST.

3. THERE IS URGENT NEED FOR FINANCIAL ASSISTANCE FOR HOUSING LOANS IN AMERICAN SAMOA. ASIDE FROM THE ABSENCE OF FINANCIAL SOURCES IN THE TERRITORY, AMERICAN SAMOA IS ONLY NOW BEGINNING TO EMERGE FROM THE FRAMEWORK OF COMMUNAL LIVING. YOUNG ADULTS WHO GREW UP IN LARGE FAMILIES IN ONE HOUSE NOW NEED TO OWN HOMES FOR THEIR OWN IMMEDIATE FAMILIES, UNLIKE THE STYLE GENERALLY ACCEPTED BY GENERATIONS BEFORE THEM. THIS SERIOUS NEED HIGHLY WARRANTS AMERICAN SAMOA'S REQUEST FOR ADDITIONAL FEDERAL FUNDING.

4. UNABLE TO FIND SUFFICIENT FINANCING, PEOPLE ARE BUILDING PIECEMEAL. RESULTS ARE POORLY BUILT HOUSES WHICH DO NOT COMPLEMENT THE ENVIRONMENT AND FAIL TO MEET SAFETY AND HEALTH REQUIREMENTS.

OPENING REMARKS OF THE HONORABLE A.P. LUTALI

GOVERNOR OF AMERICAN SAMOA

BEFORE A HEARING OF THE COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON INTERIOR

ON TUESDAY, 29TH APRIL 1986, AT ELEVEN O'CLOCK

RAYBURN HOUSE OFFICE BUILDING, ROOM B-308

MR. CHAIRMAN AND HONORABLE MEMBERS OF THE COMMITTEE, THANK YOU FOR THE OPPORTUNITY TO ONCE AGAIN APPEAR BEFORE YOU AND TO COMMENT UPON AMERICAN SAMOA'S BUDGET REQUEST FOR FY 1987.

THE SUBMISSION TO THE COMMITTEE CONTAINS DETAILED INFORMATION PREPARED BY OUR BUDGET OFFICE. WHAT I WOULD LIKE TO DO IN THESE FEW MINUTES IS MERELY ADDRESS IN AN OVERVIEW FASHION SOME OF THE ACTIONS WE ARE TAKING TO IMPROVE FISCAL RESPONSIBILITY AND CREATE MORE EFFICIENT GOVERNMENT IN THE TERRITORY.

OVER THE PAST YEAR WE HAVE TAKEN WHAT I BELIEVE TO BE SIGNIFICANT STRIDES TOWARD INCREASING LOCAL REVENUES. THE INSTITUTION OF A 2% SALES TAX, THE FIRST SUCH TAX EVER LEVIED IN THE TERRITORY, HAS NOT BEEN WITHOUT ITS TRAUMA AND EXCITEMENT. FOR THE FIRST TIME I CAN REMEMBER, THE GOVERNOR WAS GREETED BY DEMONSTRATORS WHEN I WENT TO ADDRESS THE LEGISLATURE. NEVERTHELESS, I CONGRATULATE OUR LEGISLATURE FOR THEIR WISDOM AND FORTITUDE IN ENACTING SUCH A LAW, WHICH I ANTICIPATE WILL GENERATE CLOSE TO $2 MILLION A YEAR IN NEW REVENUE. ADDITIONALLY, WE WILL SOON BE LEVYING A TAX UPON MISCELLANEOUS FISH, WHICH FOR 20 YEARS HAVE BEEN TRANSHIPPED THROUGH PAGO PAGO WITHOUT THE GOVERNMENT COLLECTING ANY REVENUES. WE ARE ALSO LOOKING TO OTHER MEANS OF LOCAL REVENUE GENERATION.

MEANWHILE, WE HAVE PLACED OUR CUSTOMS OFFICE UNDER TREASURY AND THE IMPROVED ENFORCEMENT HAS RESULTED IN OUR REACHING THIS YEAR'S PROJECTED EXCISE TAX REVENUES WHILE ONLY 6 MONTHS INTO THE

FISCAL YEAR. WE ARE ALSO CONTEMPLATING CUSTOMS USE CHARGES WHICH WILL GENERATE FURTHER INCOME IN THIS AREA. IMPROVED COLLECTION EFFORTS IN OTHER AREAS ARE LEADING TO RESULTS WHICH ARE MORE VISIBLE THAN WE ANTICIPATED.

WE ARE CONTINUING OUR PRIVATIZATION PROGRAM, TO GET THE GOVERNMENT OUT OF OPERATIONS WHICH WE BELIEVE MOST PROPERLY BELONG IN THE PRIVATE SECTOR. A YEAR AGO WE WERE JUST COMPLETING OUR FIRST MAJOR PRIVATIZATION ACTION, THE LEASING TO THE PRIVATE SECTOR OF OUR MARINE RAILWAY. SINCE THEN THE LIQUOR STORE OPERATIONS HAVE BEEN PRIVATIZED; THE SOLID WASTE FUNCTION OF GOVERNMENT HAS BEEN PUT TO BID AND A CONTRACT IS NOW BEING NEGOTIATED WITH THE SUCCESSFUL OFFEROR; A TRIAL ATTEMPT AT PRIVATIZATION OF THE MOTOR POOL IS BEING PREPARED FOR EXECUTION; A HOSPITAL MANAGEMENT CONTRACT IS NOW OUT TO BID; AND WE ARE LOOKING TO THE DEPARTMENT OF THE INTERIOR FOR TECHNICAL ASSISTANCE FOR A FEASIBILITY STUDY TO EXAMINE OPTIONS FOR THE PRIVATIZATION OF OUR ELECTRIC UTILITY.

I AM WELL AWARE OF THE FINANCIAL BURDEN THAT CONFRONTS THE ENTIRE COUNTRY AND I STRONGLY FEEL THAT THE TERRITORY OF AMERICAN SAMOA SHOULD BEAR ITS SHARE OF THE BURDEN. IN RESPONSE TO GRAMM-RUDMAN, I HAVE IMPOSED THROUGH THE REMAINDER OF FISCAL YEAR 1986 A 10% REDUCTION IN ALL OPERATION ACCOUNTS, AND HAVE INSTITUTED OTHER FISCAL CONTROL MEASURES TO GIVE US MORE STRICT ACCOUNTABILITY FOR FINANCIAL MATTERS. THE ABOVE INITIATIVES OF MY ADMINISTRATION TO GENERATE MORE REVENUES SO IT CAN ABSORB A GREATER PORTION OF ITS OPERATING COSTS, SYMBOLIZES OUR COMMITTMENT TO THE NATIONAL EFFORT.

I WOULD LIKE TO TOUCH BRIEFLY ON ONE MORE MATTER. LAST YEAR I CAME BEFORE YOU SEEKING FUNDING FOR MANU'A TRANSPORTATION. INCLUDED WITHIN THAT REQUEST WERE FUNDS TO PURCHASE A PROPER VESSEL FOR SERVING THE MANU'A ISLANDS, LOCATED IN SOME 80 MILES EAST OF PAGO PAGO. BETWEEN THE TIME I APPEARED BEFORE THIS COMMITTEE AND YOUR FINAL ACTION, IT BECAME NECESSARY FOR US TO TAKE IMMEDIATE ACTION IN VIEW OF THE COMPLETE FAILURE OF OUR PREVIOUS VESSEL, A WORLD WAR II LCU. WE THEREFORE REPROGRAMMED $.5 MILLION OF OUR ECONOMIC STABILIZATION AND EMERGENCY FUND TO FINANCE THE ACQUISITION OF A NEW VESSEL. I ENCLOSED IN THE SUBMISSION TO THIS COMMITTEE EXCHANGES OF CORRESPONDENCE BETWEEN MYSELF AND SENATOR MCCLURE WHERE I FEEL WE HAVE ADDRESSED IN FULL THE PARTICULARS PERTAINING THE TRANSACTION, AND IT INDICATES TO THE COMMITTEE WHY WE FEEL THAT THIS SHOULD BE FUNDED IN FY'86, FOR THE PURPOSE OF REPLENISHING OUR ECONOMIC STABILIZATION AND EMERGENCY FUND. AFTER ALL, ONE OF THE REASONS THAT FUND EXISTS IS TO MEET UNEXPECTED SHORTFALLS IN FEDERAL FUNDING. NEEDLESS TO SAY, A SITUATION WE FACE TODAY.

IN SPITE OF OUR EFFORTS, WE REMAIN EXCESSIVELY DEPENDENT UPON THIS FEDERAL PROCESS FOR REVENUES NECESSARY TO PAY FOR TRADITIONAL GOVERNMENT SERVICES. THAT IS WHY WE ARE HERE TODAY AND THAT IS WHY I AM PETITIONING YOUR HONORABLE COMMITTEE TO APPROVE OUR REQUEST OF $23.6 MILLION TO FINANCE OUR BASIC OPERATION, $2 MILLION FOR OUR ECONOMIC DEVELOPMENT FUND, AND $10.7 TO FUND OUR NEEDED CAPITAL IMPROVEMENT PROJECTS.

IN CLOSING, I WOULD LIKE TO REEMPHASIZE TO YOU THE APPRECIATION OF THE GOVERNMENT AND PEOPLE OF AMERICAN SAMOA FOR THE CONTINUED SUPPORT THE CONGRESS HAS PROVIDED US IN OUR EFFORTS TO BECOME SELF SUSTAINING ECONOMICALLY. IT IS MY FONDEST HOPE THAT SOME TIME IN THE FUTURE WE WILL ACHIEVE OUR GOALS OF SELF-RELIANCE AND SELF-SUFFICIENCY.

TERRITORY OF AMERICAN SAMOA

LEGISLATURE

STATEMENT

OF

THE HONORABLE LETULI TOLOA

PRESIDENT OF THE SENATE

BEFORE

THE

SENATE BUDGET COMMITTEE

WASHINGTON, D.C.

MAY 2, 1986

HONORABLE CHAIRMAN, DISTINGUISHED MEMBERS OF THIS COMMITTEE

THANK YOU FOR THE OPPORTUNITY TO PRESENT MY REMARKS REGARDING THE PROPOSED BUDGET FOR FISCAL YEAR 1987 FOR AMERICAN SAMOA. THE GOVERNOR OF AMERICAN SAMOA IS ALSO PRESENTING A STATEMENT WITH A DETAILED JUSTIFICATION OF THE PROPOSED BUDGET. THEREFORE, MY BRIEF COMMENTS WILL PLACE MORE EMPHASIS ON THE LEGISLATURE'S PERSPECTIVE OF AND ROLE IN THE FISCAL YEAR 1987 BUDGET.

ALL ECONOMIC INDICATORS FOR OUR TERRITORY REVEAL A POSITIVE OUTLOOK FOR THE NEAR FUTURE. INCREASED EMPLOYMENT IN BOTH PRIVATE AND PUBLIC SECTORS GENERATES HIGHER LEVELS OF FUNDS AVAILABLE FOR APPROPRIATION BY THE LEGISLATURE. REFINEMENT OF TAX ASSESSMENT LAWS, ADDITIONAL TAXES, AND INCREASED SERVICE FEES ALSO BROADEN THE BASE OF LOCALLY GENERATED REVENUES. THE LEGISLATURE HAS DEVELOPED A GREATER SENSITIVITY TO THE NEED FOR APPROPRIATE LEVELS OF FUNDING TO SUPPORT NEW SERVICES CREATED BY LAW. NEW LEGISLATION IS NOW REGULARLY REVIEWED FOR ITS FINANCIAL SELF-SUFFICIENCY. WHILE THIS FACTOR IS NOT THE PRIMARY CONCERN, IT IS A RELATIVELY RECENT TREND IN THE DEVELOPMENT OF A SHARPER LEGISLATIVE EYE OVER THE FINANCIAL CONDITION OF THE TERRITORY. FOR INSTANCE, RECENT ADMINISTRATIVE IMPOSITION OF IMMIGRATION FEES WILL RAISE A SUBSTANTIAL AMOUNT OF REVENUE, WHICH WILL SERVE TO OFFSET EXTRA EXPENSES OF IMPROVED ENFORCEMENT OF THE NEW IMMIGRATION LAW.

AS NOTED BY THE GOVERNOR, A TWO PERCENT SALES TAX WAS ENACTED INTO LAW EFFECTIVE JANUARY 1, 1986. OTHER MODEST TAXES SUCH AS EXCISE TAXES ON EXPORTS GENERALLY OR ON CERTAIN LARGE VOLUME PRODUCTS IN PARTICULAR ARE CURRENTLY UNDER CONSIDERATION BY THE

LEGISLATURE. THE UNIQUE CHARACTER OF OUR LAND SYSTEM PROHIBITS THE IMPOSITION OF COMMONLY USED TAXES SUCH AS PROPERTY AND REAL ESTATE TAXES. HOWEVER, INCREASED TAXES ARE ONLY ONE HALF OF THE AVAILABLE OPTIONS FOR A GOVERNMENT. THE OTHER HALF IS TO REDUCE EXPENDITURES.

SUCCESSIVE APPEARANCES BY THE LEADERS OF AMERICAN SAMOA BEFORE THIS AND OTHER COMMITTEES HAS CLEARLY DEMONSTRATED THAT WE ARE STILL VERY MUCH IN A GROWING PHASE IN TERMS OF BASIC INFRASTRUCTURE. SAFE AND CLEAR ROADS DO NOT YET REACH ALL VILLAGES. THE POWER GENERATION AND DISTRIBUTION SYSTEM IS OLD AND NOT TOTALLY RELIABLE. THE WATER SYSTEM FOR DRINKING AND WASTE IS FAR FROM COMPLETE. ADDITIONAL MODERN SCHOOLS ARE STILL GREATLY NEEDED. OUR HEALTH SERVICE AND HOSPITAL FACILITIES ARE IMPROVING BUT STILL LAG BEHIND MAINLAND STANDARDS DESPITE THE PRESENCE OF SIMILAR MEDICAL NEEDS AND PROBLEMS. WITHOUT BELABORING THE POINT, WE MUST RECOGNIZE THAT AMERICAN SAMOA IS STILL IN THE DEVELOPMENT STAGE OF MANY BASIC PUBLIC SERVICES WHICH SO MANY AMERICANS REGULARLY ENJOY ON THE MAINLAND.

OUR RELATIVELY EARLY STAGE OF ECONOMIC DEVELOPMENT MAKES BUDGET REDUCTION DIFFICULT AND, SOMETIMES, COUNTERPRODUCTIVE. THE LEGISLATURE BELIEVES THAT IT IS NECESSARY FOR THE STABLE FUTURE OF THE TERRITORY THAT ALL BASIC PUBLIC SERVICES AND UTILITIES BE MADE AVAILABLE TO ALL ISLAND RESIDENTS. AT A MINIMUM, CURRENT LEVELS OF EXPENDITURES FOR SUCH PROJECTS MUST BE MAINTAINED. PROJECTS WHICH GO UNCOMPLETED HELP NO ONE AND MAKE WASTE OF ALL THAT HAS BEEN SPENT UP TO THAT POINT. FURTHERMORE, DUE TO OUR GEOGRAPHICAL ISOLATION, EVEN A DELAY IN THE COMPLETION OF CERTAIN PROGRAMS CAN DO MORE

HARM THAN GOOD. FOR EXAMPLE, REDUCING FUNDS AVAILABLE FOR IMPROVING OUR POWER GENERATION SYSTEM INCREASES THE FREQUENCY OF POWER OUTAGES AND EXCESSIVE MAINTENANCE OVERTIME, BOTH OF WHICH ARE COSTLY TO THE PRIVATE AND PUBLIC SECTORS. THEREFORE, WE END UP LOSING FUNDS SUPPOSEDLY SAVED BY CUTTING THE BUDGET ORIGINALLY. ANOTHER EXAMPLE IS HEALTH CARE. DELAYS IN UPGRADING OUR FACILITIES LEADS TO THE ABSENCE OF WELL TRAINED PROFESSIONAL MEDICAL STAFF AND MODERN DIAGNOSTIC EQUIPMENT, BOTH EQUALLY NECESSARY FOR PROMPT, EFFICIENT AND COST EFFECTIVE TREATMENT. WE ARE TRYING TO REDUCE OFF-ISLAND EVACUATIONS FOR TREATMENT AND CONSULTATIONS BUT THIS GOAL WILL BE REACHED ONLY WHEN OUR OWN FACILITIES HAVE ADVANCED TO THE PROPER STANDARDS OF CARE. HENCE, BUDGET REDUCTION IN ONE AREA MAY INCREASE COSTS IN ANOTHER AREA.

THE POINT IS THAT, FOR AMERICAN SAMOA, OUR MOST HOPEFUL PROSPECT FOR REACHING ECONOMIC STABILITY AND SELF-SUFFICIENCY IS TO COMPLETE THE DEVELOPMENT OF OUR BASIC INFRASTRUCTURAL NEEDS. FEW OTHER UNITED STATES JURISDICTIONS FACE THE SAME NEEDS FOR THE BASICS OF DAILY LIFE. THE LEGISLATURE IS COMMITTED TO FOLLOWING THIS COURSE WHETHER OR NOT FEDERAL FUNDING IS AVAILABLE. WE HUMBLY REQUEST, HOWEVER, THE SUPPORT OF YOUR COMMITTEE IN ASSURING THAT FEDERAL FUNDS ARE AVAILABLE IN ORDER TO REACH OUR GOAL MORE QUICKLY. ONCE A SOLID BASE OF PUBLIC SERVICES IS IN PLACE AND THE TERRITORY REACHES A STATE OF BALANCE REGARDING EXPANSION OF THE PUBLIC SECTOR, WE CAN BE RELIEVED OF THE NEED TO STRUGGLE UP THE ECONOMIC HILL OF DEVELOPMENT. OUR REQUESTS FOR SUPPORT WILL CONSEQUENTLY DECLINE AND THE PRIVATE SECTOR CAN THEN CONFIDENTLY INVEST IN AN ENVIRONMENT WHICH IS RELIABLE, DESIRABLE AND SECURE FOR THE FUTURE. THE CYCLE OF GROWTH IS THEN IN

MOTION.

THE BUDGET PROPOSAL SUBMITTED BY THE GOVERNOR INDICATES A REQUEST OF NEARLY 10.7 MILLION DOLLARS FOR CAPITAL IMPROVEMENT PROJECTS. THIS IS PART OF THE LARGEST SINGLE OBJECT CLASS INCREASE OVER THE FISCAL YEAR BUDGET FOR 1986. THIS REQUEST REFLECTS EXACTLY WHAT THE LEGISLATURE IS STRIVING TO PROVIDE FOR THE PEOPLE OF AMERICAN SAMOA. OF COURSE, OTHER REQUESTS INCLUDED IN THE BUDGET DESERVE EQUAL ATTENTION AND ARE SUPPORTED BY THE LEGISLATURE. YET, AT THE HEART OF THE TERRITORY'S FUTURE AND SELF-SUFFICIENCY IS THE EXISTENCE OF THE ESSENTIALS DISCUSSED ABOVE.

I HOPE THESE COMMENTS ARE HELPFUL IN YOUR EVALUATION OF OUR REQUEST.

ON BEHALF OF THE SENATE AND LEGISLATURE OF AMERICAN SAMOA, I EXTEND OUR APPRECIATION AND GRATITUDE FOR YOUR CONSIDERATION AND SUPPORT.

SOIFUA,

Letuli Toloa

LETULI TOLOA
PRESIDENT OF THE SENATE

TERRITORY OF AMERICAN SAMOA
LEGISLATURE

STATEMENT
OF
THE HONORABLE P. TUIAFONO MATA'UTIA
SPEAKER, HOUSE OF REPRESENTATIVES

BEFORE
THE HOUSE CONGRESSIONAL BUDGET COMMITTEE
WASHINGTON, D.C.

APRIL 30, 1986

OPENING STATEMENT

BY

HONORABLE P. TUIAFONO MATA'UTIA
SPEAKER, HOUSE OF REPRESENTATIVES

Honorable Chairman and members of this committee, The House of Representatives of the territory has worked with Governor A.P. Lutali during this past year to further the financial independence of American Samoa. As you can see from the figures, our local revenues are rapidly increasing. The public and legislative debates over instituting the sales tax were heated, and we are hoping that our voters realize the necessity for the tax increases.

In the United States there has been considerable public discussion concerning deterioration of the infrastructure; in American Samoa, we are still striving to complete initial construction of basic infrastructure: water storage and piping; sewer systems; road paving. The costs of those and other needed projects are more than we can handle with our economy at this time. I urge you to kindly assist us as much as possible.

We are continuing to improve our educational system, but we still need to construct additional classroom facilities. Our demographics don't paralled the statistics of birthrate in the United States; we have not experienced any decline in school population. We need to provide quality education for our children because many of them move to the United States Mainland where they have to compete in the more competitive job market. Education is one of our major expenditures, and we feel that it is a necessary investment in the future of our territory.

Significant steps have been taken by the Territory to encourage private industry to locate in American Samoa, and the planning for major tourism expansion is underway. We hope that these projects will blossom in the coming years and that our local revenues will increase at an even faster rate.

Please give our requests your close attention. As America's outpost in the South Pacific, we are striving to establish a strong and vibrant economy that will provide a continuing example of the American way of life and government to other island nations. Your assistance is appreciated.

Soifua,

Matautia

P. Tuiafono Mata'utia

Speaker, House of Representatives

SUMMARY STATEMENT OF DELEGATE SUNIA

Mr. YATES. Mr. Sunia, tell us what it is that you want us to do. How helpful has Mr. Montoya been to you?

Mr. SUNIA. He has been helpful, Mr. Chairman.

Mr. YATES. Then you don't need any money, I take it.

Mr. SUNIA. We do. I might say that we have worked well with Mr. Montoya.

Mr. YATES. I think if Mr. Montoya was not tied up as he was by these restrictions, he might be a sympathetic character.

Mr. SUNIA. I agree with that, Mr. Chairman.

Mr. YATES. It is the two people beside him that keep holding him back.

Go ahead.

Mr. SUNIA. Mr. Chairman, as in the previous years, I would defer to the Governor and to the territorial leaders to present the details of our request. A couple of things I would like to mention.

This year the Governor requested about $10 million in capital improvements projects. DOI, OTIA has recommended a little less than $3 million of those projects.

In a hearing last month, the annual oversight hearings, the Committee of the Interior, as Mr. Udall reported to you, has recommended three additional projects to those which Mr. Montoya had recommended and two of those projects are continuations of programs started by this committee in previous years.

Two years ago, you started, at our request, a project on housing. Then last year, we began, after that long discussion with Mr. Montoya, a project on school gymnasiums. Those two items have been recommended by the Committee on Interior.

In addition to that, about $600,000 for medical equipment. Those are the three items that the Committee on Interior, after its oversight hearings, recommended in addition to those OTIA had approved from this year.

AMERICAN SAMOA CLASSROOMS AND GYMANSIUM

Mr. YATES. I see the construction of the gymnasium has been deferred because of the passage of Gramm-Rudman. Right? Is the gymnasium going forward?

Mr. SUNIA. One was approved last year, Mr. Chairman.

Mr. YATES. Here it says a million dollars—I am reading from the Interior Committee's report. Let me read to you. "American Samoa's school system has struggled with a serious over-crowding problem in recent years. The school age population is growing at particularly high rates. Pupil enrollment grew almost a tenth between fiscal years 1984 and 1985. $1 million was appropriated to build badly needed secondary level class rooms and a gymnasium in fiscal year 1986.

"However, construction of the gym, which would have been the territory's first, was put off because of the funding cutback compelled by the Balanced Budget and Emergency Deficit Control Act of 1985.

"The committee has included $1,300,000 in its estimates for administration of territories for an additional 18 classrooms and a gymnasium which was sorely needed because of the islands heavy rain fall."

Now, is there any information on this report? Has the construction of the gym been deferred?

Governor LUTALI. According to my budget officer, sir, Interior has approved more school houses.

Mr. YATES. When you say "Interior", is that Mr. Montoya?

Governor LUTALI. Yes.

Mr. YATES. You have approved it?

Mr. MONTOYA. $250,000 to build one gymnasium and $700,000 for classrooms, construction and renovation.

Mr. YATES. This is money we put in last year over the budget, isn't it?

Mr. MONTOYA. That is correct.

Mr. YATES. Was it a useful budget insertion? Do you favor that?

Mr. MONTOYA. I didn't favor it at the time.

SEQUESTRATIONS OF PERMANENT APPROPRIATIONS

Mr. YATES. Wait a minute. Mr. Itteilag, you wanted to speak before, and I forgot all about you. Did you want to say something that we can put back in the record? I suddenly remembered I cut you off.

Mr. ITTEILAG. Yes, Mr. Chairman. I wanted to comment on some new information with regard to sequestration of money that is involved in permanent appropriations. The account to which you were referring at that point is a permanent appropriation.

Recently, the Director of the Office of Management and Budget wrote to the Chairman of the Senate Appropriations Committee and the Chairman of the Interior Appropriations Subcommittee indicating that, with respect to payments to states for oil and gas revenues, the funds that are being sequestered in fiscal year 1986 are going to be made available to the states in fiscal year 1987. There may be an analogy between that situation and the situation with the TIA permanent appropriation.

Mr. YATES. You mean the income tax appropriation?

Mr. ITTEILAG. The permanent appropriation we were talking about. So what I would like to do is investigate that and put some appropriate information in the record at this point.

Mr. YATES. All right.

Mr. Sunia, I interrupted for that.

[The information follows:]

SEQUESTRATION OF TERRITORIAL FISCAL ASSISTANCE PAYMENTS

Although the amount of the permanent appropriation for "Payments to the United States Territories, Fiscal Assistance" is based on receipts from duties, taxes, and fees collected, the appropriation is actually made out of the General Fund of the Treasury. Treasury determined, when the account was originally established some years ago, that the authorizing language in P.L. 99-348 mandated the establishment of a General Fund account, rather than a Special Fund account.

However, the amount sequestered in fiscal year 1986, in accordance with P.L. 99-177 ($2,580,000), was based on receipts (401(c) authority) rather than budget authority and, as such, the sequestered amount will not be permanently cancelled by Treasury. Thus, based on the latest information from the Office of Management and Budget in an analogous situation, and in informal discussions with Treasury, we believe the sequestered amount will be available to the Territories on October 1, 1986.

AMERICAN SAMOA PRIORITIES

Mr. SUNIA. Thank you, Mr. Chairman.

The other point I wanted to raise, and I may be alone on this, is that the Governor submitted a list of priorities in capital improvement projects, of which three were supported by Mr. Montoya. Are we looking at the same list? My problem is that the three projects that were approved are down at the bottom of the list of priorities. I refer to number 7, number 9 and number 10. I raised this question briefly with Secretary Montoya during the oversight hearing. My feeling is that if we are going to approve something, we ought to work from the top on down inasmuch as this is the priority that has been determined by the territorial leadership.

For instance, sir, the water improvement project calls for $1.05 million. Now, I don't argue with the need for an improved water system. However, I am looking at the list of priorities for this particular year and I see that there are six other items that are ahead of that.

I would think that we ought to start from the top. Now, I know that——

Mr. YATES. Why don't we hear from Mr. Montoya as to why he has not started from the top. Why do you approve the ones at the bottom of the Samoan government's list, rather than the top?

Mr. MONTOYA. I don't think we have seen a copy of that list, Mr. Chairman.

Mr. YATES. I read from the revised fiscal year 1987 final budget proposal of the American Samoa government. You mean that the Samoans don't give you a copy of their budget?

Mr. MONTOYA. Yes, they do. The Samoan high school, I think when we took a look at that, we felt that the Department of Education would be able to cover some of that through vocational education equipment.

Mr. YATES. Does that mean you don't favor it out of this budget?

Mr. MONTOYA. I do not favor it out of this budget; that is correct.

Mr. YATES. Is there a need for the high school Phase II? What happened to Phase I?

Has Phase I been constructed? What did Phase I consist of?

Governor LUTALI. A school building for the high school was completed last year.

Mr. YATES. What is Phase II?

Governor LUTALI. This is Phase II.

Mr. YATES. But what is Phase II for?

Governor LUTALI. Phase II, we have a lot of students in this high school that are located in what we call boxes, big boxes like——

Mr. YATES. You mean portables?

Governor LUTALI. Yes. We want to build a school house for those children.

Mr. YATES. Have you been there, Mr. Montoya?

Mr. MONTOYA. Yes, several times.

Mr. YATES. Have you seen the portables?

Mr. MONTOYA. I have.

Mr. YATES. Are they safe?

Mr. MONTOYA. They appear to be.

Mr. **Yates**. Are they safe and sanitary? The Budget Officer shakes his head "no".

Governor **Lutali**. They are awfully warm inside.

Mr. **Yates**. No windows? I thought Samoa had balmy breezes blowing through the island.

Governor **Lutali**. Gramm-Rudman did something to that, too.

Mr. **Yates**. Gramm-Rudman cut off the breezes? All right.

You are on number two now, Mr. Montoya, vocational educational equipment.

Mr. **Montoya**. Vocational education equipment, in my opening comments, Mr. Chairman, I talked about the skill center that the Governor and I have adopted as a project to increase their trade capabilities. There are other Federal programs that come into play in Samoa. When we took a look at this listing of projects we felt that, as Mr. Sunia has pointed out, that number seven, number nine, and number ten were ones that more appropriately lent themselves to Department of the Interior's capital improvement projects.

Local funds from Samoa could be provided to do some of these other projects. Again, in setting the priorities, we—

Mr. **Yates**. I see. What you are saying is, you superimposed your priorities on them.

Mr. **Solomon**. Could I add something to that?

Mr. **Yates**. Of course.

Mr. **Solomon**. We did get a request based on our request to each of the governments for a listing of construction projects of high priority.

In American Somoa, we received a request on September 6, 1985. We funded all of the priorities listed on that attached letter except for one project that involved computer installations.

Mr. **Montoya**. I would call your attention——

Mr. **Yates**. Mr. Montoya, please, let me just find out does that mean that you funded the Samoan high school and vocational education?

Mr. **Solomon**. Not that.

Mr. **Heggestad**. The budget process is a dynamic process and it is ongoing. We had a lot of discussions with the Governor's Office during the time we were putting together the fiscal year 1987 budget. That culminated in a letter from the Governor listing his top priorities that he would like us to support. That is what is in the President's budget for 1987.

Mr. **Yates**. Are you saying that the Governor's list of priorities began with water improvements and then went through Tafuna industrial park?

Mr. **Heggestad**. That was his final request to us.

Mr. **Yates**. Now, Mr. Sunia, apparently the Governor and you haven't been in agreement on it.

Mr. **Sunia**. That is why I prefaced my remarks by saying I might be alone on this, Mr. Chairman.

Mr. **Yates**. All right.

Mr. **Sunia**. I look at this list, sir, and you are looking at the same list, Mr. Chairman. I know for a fact that the American Samoan government, has water funds yet to be spent.

Mr. **Yates**. But, Mr. Sunia, I would hope that before you come in here, you and the Governor would agree on what your priorities are. The Governor's priorities apparently are different than yours, are they not?

As I understand what Mr. Montoya's assistant has told us, he is telling us that the list of priorities in the order in which they appear in your budget is not the list of priorities that was submitted by the Governor to Mr. Montoya. I am told that the list of priorities submitted by the Government of Samoa through the Governor begins at item number seven and goes seven, eight, nine and ten; is that correct, Governor?

Governor **Lutali**. That is correct, Mr. Chairman.

Mr. **Yates**. So plunging ahead as I did in asking Mr. Montoya why he did not take the government's view of priorities, he is telling me he did.

Mr. **Sunia**. I was not aware of the amended list, Mr. Chairman.

Mr. **Yates**. All right. So you are going forward with their list of priorities.

Mr. **Montoya**. Yes. If you will take a look at that letter dated September of 1985, that coincides with our budget process.

Mr. **Yates**. Mr. Lutali wrote a letter on September 6, 1985 addressed to Mr. Montoya in which he says, "Thank you for the opportunity to clarify and elaborate. We have focused our needs upon a limited number of projects which we feel are of considerable impact in the area of economic development and Government efficiency.

"We are looking for your assistance for expansion of the Government water supply system, expansion of the industrial park, acquisition of new computer hardware and software, extension of the Tafuna correctional facility and for studies pertaining to Pala Lagoon Harbor Project."

AMERICAN SAMOA COMPUTER

Okay. You are going forward, except for the computer hardware. What is the cost of that? I don't see it on the list.

Mr. **Montoya**. It was estimated at $2.6 million, but we feel that we can put it in for about half a million dollars, Mr. Chairman. We would do that with the technical assistance funds. So I would say that——

Mr. **Yates**. For what budget year? 1986?

Mr. **Montoya**. Yes, sir. So I would say all of the items on the list will be taken care of.

TAFUNA INDUSTRIAL PARK

Mr. **Yates**. Okay. Let me ask you a question about the expansion of the Tafuna industrial park. What is the basis for proceeding with the expansion at this time since the park is currently 70 percent occupied? How long has it taken to get the 70 percent occupancy level?

Do you want to answer that?

Governor **Lutali**. Yes, Mr. Chairman.

At the moment, we have several companies from Australia, Fiji, Tonga, who are interested in locating in American Samoa, which will provide employment for about 700 Samoans. They need a place to locate. That is why we are interested in expanding our industrial park.

Mr. YATES. All right. What is the total cost supposed to be?

Governor LUTALI. We are requesting $1 million, Mr. Chairman.

Mr. YATES. What is the total cost? I see. Rents received from occupants of the park will be sufficient to complete the project?

Governor LUTALI. I believe so, Mr. Chairman.

Mr. YATES. Well, if they can, why should the Government fund this portion of the project?

Governor LUTALI. Because we are required to provide the infrastructure, like water and every other thing, before these companies begin to set up.

Mr. YATES. Then can you do it through a loan if you can get the rents to pay it off? Are you authorized to make loans rather than grants?

Mr. MONTOYA. No, sir.

Mr. YATES. Can they get the funds from a loan from someplace?

Mr. MONTOYA. Well, at this time EDA is looking at investing in this project because it has some revenue-producing in it. As the Governor has said, it has job creation potential of 700 new jobs. But as far as the maintenance of the park after awards, I think that the rents would come into play at that time to maintain and make sure the facility——

Mr. YATES. You think it should be in the nature of a capital grant then.

Mr. MONTOYA. I do.

Mr. YATES. EDA is looking into it?

Mr. MONTOYA. Yes, sir.

Mr. YATES. You are cooperating with them and EDA in this process?

Mr. MONTOYA. Yes, sir.

AMERICAN SAMOA WATER IMPROVEMENTS

Mr. YATES. Now, the $1,050,000 that you are describing for a water system improvement, will this complete the project or will you need additional funds?

Governor LUTALI. We will not complete the entire water system, but this will take us a long way to providing more water for new businesses.

Mr. YATES. What do you estimate the amount needed for the total system to be?

Governor LUTALI. Roughly, it will probably be about $12.5 million to complete the entire system.

Mr. YATES. Is there anything in addition you want to tell us, Governor, or Mr. Sunia, before we call on the next witness?

Governor LUTALI. No, except to say we are generating revenue because of a two percent sales tax. We are reducing our request to the Federal Government next year as a result.

Mr. SUNIA. Mr. Chairman, may I ask something?

I heard the Secretary awhile ago refer to the water projects as being something that is within the realm of their idea as to the type of capital improvements projects that Interior should be supporting in the Territories.

Now, I wonder how many years that is going to be the Interior policy?

Mr. YATES. Ask Mr. Montoya.

Mr. SUNIA. I wonder if there is going to be flexibility with regard to some of the other Territorial needs that may be more pressing than water. I realize that we all need water and we need plenty of water, and good water, but there may be other items that are of more pressing needs as time goes by.

Mr. MONTOYA. Mr. Chairman, as long I am Assistant Secretary, water will continue to be the top priority because it has got a multiplier effect that I don't think anybody can deny. Not only does it enhance economic development, it improves quality of life.

Mr. YATES. Okay. All right. Thank you, gentlemen.

Thank you very much, Governor.

Mr. MATA'UTIA. Mr. Chairman, we are here to support American Samoa on behalf of the President of the Senate, of the House and myself, the Speaker. It is an honor to come before you again this year.

Mr. YATES. It is a pleasure to have you, sir.

Mr. MATA'UTIA. One thing I want to point out to you, Mr. Chairman, is our capital improvements projects we have submitted are not luxuries. They are bona fide basic needs of our people, the very lifeline of the people of American Samoa.

So please do consider seriously the money that we are asking for. I know the Interior has given us a ceiling of $2.4 million approximately, for capital improvements. However, I think we have a total need of $10 million. So please consider seriously our basic needs.

Thank you very much.

Mr. YATES. Thank you, Mr. Speaker.

Thank you, Governor.

TUESDAY, APRIL 29, 1986.

VIRGIN ISLANDS

WITNESS

HON. RON de LUGO, A DELEGATE IN CONGRESS FROM THE TERRITORY OF THE VIRGIN ISLANDS

SUMMARY STATEMENT OF DELEGATE DE LUGO

Mr. YATES. Mr. de Lugo, your statement will be made part of the record.

Mr. DE LUGO. Thank you very much, Mr. Chairman.

I thank you for making my statement part of the record. I go into detail on the matters that I will raise in summary now in my oral statement.

I am just going to highlight a few items for you today. I know you have a busy day, and with Gramm-Rudman things are tougher and tougher. We have agreement with the administration on our first item which is in their budget.

Mr. YATES. Incidentally, do you still have balmy breezes in the Virgin Islands? I understand Gramm-Rudman cut them off.

Mr. DE LUGO. That we still have. It would be much cooler than this hearing room, Mr. Chairman, if we could relocate to St. John perhaps, because that is one of the islands I want to talk to you about.

Mr. YATES. How much are they charging at Caneel Bay now?

Mr. DE LUGO. You may come as my guest.

Mr. YATES. Okay. Do you know what you are saying?

Mr. DE LUGO. Mr. Chairman, we are seeking $2.9 million for the water system in Charlotte Amalie, St. Thomas. It is estimated we are losing something like half the water that is put into the system. The system is 40 years old.

Mr. YATES. You don't have to tell us. If you have Mr. Montoya's consent, he is for it.

Mr. DE LUGO. He is for it, absolutely.

Mr. YATES. That is like taking water out of a turnip.

Mr. DE LUGO. We have got agreement on that.

Something else I raise is of great importance not only to the Virgin Islands, but also to Guam and to Puerto Rico, but I raise it primarily to bring it to the attention of your committee, Mr. Chairman.

That is the rebate of rum excise taxes. I think Chairman Udall, when he appeared before you earlier, spoke to that issue. On our committee, there was unanimity that we should seek an exclusion or an exemption from Gramm-Rudman for these excise tax funds.

Mr. YATES. Right.

Mr. DE LUGO. In fact, the Director of OMB, when he appeared before the Senate Budget Committee, stated that the rum excise taxes for the Virgin Islands and Puerto Rico and the income taxes for Guam appear in the budget as an incidental matter for convenience of administration rather than a means of resource allocation.

Mr. YATES. Let me just interrupt you a moment. Let me tell the witnesses from the Marianas, the Marshalls and FSM, Palau, Bikini and Enewetak, Mr. de Lugo will be the last witness this morning and the Northern Marianas will come back this afternoon and the others will follow after that.

So if you have a schedule you have to meet or you want to go out to lunch or something, you may do so.

Go ahead.

Mr. DE LUGO. Thank you, Mr. Chairman.

Anyway, the long and the short of it is that a consensus is developing that these funds should be exempted from Gramm-Rudman. Unfortunately they weren't.

At the time, it was hard to get people to focus on it. But I think we are hopeful that we are going to be able to get the exemption.

We may seek the exemption in the bill and I just want you to be aware of it, Mr. Chairman, and hope to have your support at the time when we try to do that.

Mr. YATES. Okay.

Mr. DE LUGO. Thank you very much, Mr. Chairman.

We mentioned St. John just a little while ago. I want to say that there is $3 million needed for high priority land and water acquisition for the St. John National Park. There is 104 acres of property located at Hawksnest, Cinnamon, Maho and Genti Bays. These are, as you know, some of the most beautiful beaches and some of the most beautiful land that you could find anywhere.

The property is presently on the market. We have willing sellers and if the Federal Government does not buy it, it will be bought by private individuals.

Mr. YATES. Does Mr. Montoya know about this?

Mr. DE LUGO. Mr. Montoya indicates he does know about it.

Mr. YATES. Why don't you talk to Mr. Montoya over the lunch hour?

Mr. DE LUGO. We will do that. The head of the Park Service is in the Virgin Islands at the present time. I am sure this will be brought to his attention, too.

Now, another item that I want to bring to your attention, Mr. Chairman, is another area that you are aware of. It is Magens Bay. It is one of the most beautiful beaches in the world.

Mr. YATES. What is the matter with it?

Mr. DE LUGO. Nothing is the matter with it. Once again, we have speculators and developers wanting to move into there.

Mr. YATES. Does Mr. Montoya know about it?

Mr. DE LUGO. I think he is aware of the problem with Magens Bay.

Mr. YATES. What do you think, Mr. Montoya?

Mr. MONTOYA. I am anxious to hear him.

Mr. DE LUGO. Maybe I ought to throw a few words out.

Mr. YATES. Talk to him over the lunch hour.

Mr. DE LUGO. Mr. Chairman, what we are doing is working with the Trust for Historic Preservation and the Sierra Club and what we are going to try to do is——

Mr. YATES. Is this part of the park?

Mr. DE LUGO. No, this is not part of the park. It is Magens Bay, and private interests want to put a hotel on it.

Mr. YATES. Is this the only part of St. Thomas that does not have a hotel on it now?

Mr. DE LUGO. Just about, just about. It is an area that is used by the public. I am very much opposed to that development and I don't want to see it happen.

Mr. YATES. See if you can't get Mr. Montoya to agree with you.

Mr. DE LUGO. Rick, what do you say?

Mr. MONTOYA. Are we going to trade Water Island for it?

Mr. YATES. Why don't you negotiate?

If it is permitted under the Ethics Act, why don't you take him to lunch.

Mr. DE LUGO. We will do that. All right.

Let me say, Mr. Chairman, that the lands that I spoke of in St. John are part of the priority list that is set out for the St. John National Park. The administration wants to acquire this. One of the things about the St. John National Park is that it is the only national park that I know of where we cannot use eminent domain. But we have willing sellers here. We have to act or we will lose it. That is it, Mr. Chairman.

[The statement of Hon. Ron de Lugo follows:]

HOUSE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON INTERIOR
HEARING ON FISCAL YEAR 1987 APPROPRIATIONS
APRIL 29, 1986

STATEMENT
SUBMITTED BY
RON DE LUGO, M.C.

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE,

THANK YOU FOR PROVIDING THIS OPPORTUNITY TO BRING TO YOUR ATTENTION FISCAL YEAR 1987 APPROPRIATIONS REQUESTS OF IMPORTANCE TO THE UNITED STATES VIRGIN ISLANDS.

THE VIRGIN ISLANDS IS ACUTELY AWARE OF THE STRICT LIMITS PLACED ON FEDERAL SPENDING UNDER THE BALANCED BUDGET AND EMERGENCY CONTROL ACT OF 1985. THE ACT HAS HAD ITS MOST ADVERSE IMPACT ON THE INSULAR AREAS OF THE NATION. THIS WAS MADE CLEAR IN A REPORT BY THE FEDERAL FUNDS INFORMATION FOR STATES. IT POINTED OUT THAT THE DISTRICT OF COLUMBIA AND THE TERRITORIES AND COMMONWEALTHS WILL BE HIT THE HARDEST BY THE CUTS REQUIRED UNDER GRAMM-RUDMAN BECAUSE OF THE NATURE OF THEIR DEPENDENCE ON FEDERAL FUNDS.

IN ITS FISCAL YEAR 1987 REQUEST FOR CAPITAL IMPROVEMENT FUNDING, THE GOVERNMENT OF THE VIRGIN ISLANDS PROPOSED FOUR PROJECTS AS PRIORITIES, FOR A TOTAL CAPITAL IMPROVEMENT REQUEST OF 12 MILLION DOLLARS. THEY INCLUDE FUNDING FOR WATER

DISTRIBUTION REPAIRS, ADDITIONAL FUNDING FOR THE ST. CROIX AIRPORT RUNWAY EXTENSION, AND SOLID WASTE TREATMENT ASSISTANCE. THE ADMINISTRATION HAS SUPPORTED ONE OF THOSE PROJECTS BY RECOMMENDING 2.9 MILLION DOLLARS FOR REPAIRS TO THE WATER DISTRIBUTION SYSTEM IN CHARLOTTE AMALIE, ST. THOMAS.

THE VIRGIN ISLANDS HAS INVESTED CONSIDERABLE RESOURCES IN WATER PRODUCTION AND DISTRIBUTION. CONGRESS, THROUGH DIRECT APPROPRIATIONS AND UNDER FEDERAL GRANT PROGRAMS, HAS ALSO HELPED THE TERRITORY TO ADDRESS ITS CRITICAL WATER PROBLEMS. WHILE MUCH HAS BEEN DONE THROUGH DESALINATION TO ADDRESS THE ONGOING WATER SHORTAGE, THE TERRITORY IS TRYING TO SOLVE THE OTHER TANGENT OF ITS WATER CRISIS: THE LOSS OF MORE THAN HALF OF THE WATER PLACED INTO THE DISTRIBUTION SYSTEM THROUGH LEAKAGE AND, TO A LESSER EXTENT, THROUGH FAULTY METERING. THE WATER DISTRIBUTION PIPELINES IN THE ISLANDS ARE OVER FORTY YEARS OLD. THEY ARE RUSTED, IN MANY PLACES RIGHT THROUGH. PUBLIC HEALTH AND SAFETY ARE ENDANGERED, THE MILLIONS OF DOLLARS IN REVENUES LOST EACH YEAR ARE A STRAIN WHICH THE LOCAL GOVERNMENT, ALREADY OPERATING AT A DEFICIT, IS HARD PRESSED TO ACCOMODATE. SIMPLY PUT, THE LEAKS AND RUST ARE A HAZARD AND A WASTE. WATER IN THE TERRITORY IS EXPENSIVE ENOUGH TO GENERATE, AND WE NEED HELP IN ADDRESSING

THE PROBLEM.

THE ADMINISTRATION HAS PROPOSED FUNDING THE NEXT PHASE OF VIRGIN ISLANDS WATER DISTRIBUTION MASTER PLAN. THIS WOULD CONTINUE THE REPLACEMENT THE MAIN WATER LINE IN CHARLOTTE AMALIE, ST. THOMAS. THE TOWN ACCOUNTS FOR MORE THAN HALF OF THE POTABLE WATER DEMAND IN ST. THOMAS.

REPAIRING THE WATER PIPELINES IS A PRIORITY FOR THE VIRGIN ISLANDS. I APPRECIATE THE ADMINISTRATION'S SENSITIVITY TO THE PROBLEM, AND URGE THE COMMITTEE TO APPROPRIATE THE RECOMMENDED FUNDING.

THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS RECOMMENDED AN INCREASE OF 500,000 DOLLARS OVER THE 2.2 MILLION DOLLARS FOR TECHNICAL ASSISTANCE REQUESTED BY THE ADMINISTRATION. THE PURPOSE OF THE TECHNICAL ASSISTANCE PROGRAM IS TO ASSIST THE TERRITORIES IN DEVELOPING PRIVATE ENTERPRISES. WHILE THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS HAS APPARENTLY MADE AN EFFORT TO DO THIS FOR THE COMMONWEALTH OF THE NORTHERN MARIANAS BY PROVIDING ECONOMIC DEVELOPMENT FUNDING IN THE PROPOSED COVENANT AMENDMENTS, NO SIMILAR EFFORT IS EVIDENT IN THE OTHER TERRITORIES. AS A MATTER OF FACT, TO MY KNOWLEDGE, THE SECRETARY OF INTERIOR HAS YET TO SUBMIT THE REPORTS REQUIRED BY

LAW ON THE THE ADMINISTRATION'S EFFORTS AND RECOMMENDATIONS FOR DEVELOPING PRIVATE ENTERPRISES IN THE TERRITORIES. NONETHELESS, BUILDING THE PRIVATE SECTOR REMAINS A PRIORITY FOR THE TERRITORIES, AND WE NEED HELP. I BELIEVE OTIA SHOULD HAVE THE FUNDS NEEDED TO PROVIDE MEANINGFUL ASSISTANCE, AND ONLY HOPE THAT IT WILL USE ITS RESOURCES, IN CONJUCTION WITH THE ABUNDANT RESOURCES AVAILABLE IN OTHER FEDERAL AGENCIES, TO PROVIDE THE HELP WE NEED.

AS DO GUAM AND PUERTO RICO, THE VIRGIN ISLANDS RELIES ON A PERMANENT APPROPRIATION FOR ONE OF ITS MOST IMPORTANT AND, UNTIL RECENTLY, RELIABLE RESOURCES. I REFER TO THE RETURN OF THE EXCISE TAXES ON RUM. THE REVISED ORGANIC ACT OF THE VIRGIN ISLANDS REQUIRES THAT FEDERAL REVENUES COLLECTED IN OR DERIVED FROM THE VIRGIN ISLANDS SHALL BE TRANSFERRED TO THE GOVERNMENT OF THE VIRGIN ISLANDS. THE MOST SIGNIFICANT OF THESE COLLECTIONS ARE THE EXCISE TAXES ON RUM. THIS TAX WAS IMPOSED ON RUM ENTERING FROM THE VIRGIN ISLANDS, AND PUERTO RICO, AS A MEANS OF EQUALIZING THE COSTS VIS-A-VIS MAINLAND DISTILLERS. FROM ITS INCEPTION, THIS EQUALIZING TARIFF WAS RETURNED TO THE TERRITORY.

THE 1984 TAX ACT INCREASED THE EXCISE TAX ON RUM AND OTHER

DISTILLED SPIRITS. FOR THE FIRST TIME IN OUR HISTORY, THE ACT ALSO PROHIBITED THE COVER OVER OF THE INCREASE. THE RESULT WAS THE REDUCED SALES WHICH OCCUR WHEN THERE IS AN INCREASE IN THE COST OF LIQUOR, WITHOUT THE BENEFIT OF THE TAX INCREASE. ACCORDING TO THE PRESIDENT'S BUDGET, OVER FIVE YEARS THE EXCISE TAXES RETURNED TO THE VIRGIN ISLANDS WILL FALL FROM 40 MILLION DOLLARS TO 25 MILLION DOLLARS. I AM HOPING TO GET SUPPORT FOR RETURNING THE FULL AMOUNT OF THE EXCISE TAX COLLECTED ON THE RUM TO THE VIRGIN ISLANDS. SINCE THIS INTERIOR ACCOUNT, I RAISE THE ISSUE ASK FOR YOUR SUPPORT IN REINSTATING THE ORIGINAL STANDARD FOR THIS PERMANENT APPROPRIATION.

ADDITIONALLY, GRAMM-RUDMAN-HOLLINGS HAS BEEN INTERPRETED AS INCLUDING THE EXCISE TAXES COLLECTED ON RUM IN BOTH THE VIRGIN ISLANDS AND PUERTO RICO, AS WELL AS THE PERMANENT APPROPRIATION PROVIDED UNDER SECTION 30 OF THE GUAM ORGANIC ACT. IN FISCAL YEAR 1986, THE VIRGIN ISLANDS STANDS TO LOSE 1.3 MILLION DOLLARS IN SEQUESTERED EXCISE TAX RETURNS. YET, THE REVENUES INVOLVED CONSTITUTE A FEDERAL OBLIGATION TO THE TERRITORY PRIOR TO THEIR COLLECTION. THUS, TRANSFER OF THESE PAYMENTS TO ALLEVIATE THE FEDERAL DEFICIT WOULD CONSTITUTE A TRANSFER OF FUNDS FROM THE TERRITORIAL GOVERNMENT TO THE FEDERAL GOVERNMENT.

THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET STATED IN TESTIMONY BEFORE THE SENATE BUDGET COMMITTEE THAT THE RUM EXCISE FUNDS "APPEAR IN THE BUDGET AS AN INCIDENTAL MATTER FOR CONVENIENCE OF ADMINISTRATION RATHER THAN AS A MEANS OF RESOURCE ALLOCATION." CONGRESS RECOGNIZED AND EXEMPTED MOST OF THIS TYPE OF ACCOUNT FROM SEQUESTRATION, BUT FAILED TO DO SO FOR THE VIRGIN ISLANDS RUM FUND, OR FOR THE PUERTO RICO AND GUAM ACCOUNTS. WHILE THE BUDGET COMMITTEES SEEM INCLINED TO EXEMPT THE THESE ACCOUNTS, THEY ARE UNDERSTANDABLY RELUCTANT TO OPEN THE ISSUE. YOUR HELP IN ACHIEVING THE NECESSARY EXEMPTION, POSSIBLY IN THE APPROPRIATIONS BILL, IS MOST NEEDED BY EACH OF THE AFFECTED INSULAR AREAS.

THIS COMMITTEE HAS BEEN INSTRUMENTAL IN THE PAST IN PROVIDING FUNDS FOR PLANNING THE DEVELOPMENT OF THE EASTERN CARIBBEAN CENTER AT THE COLLEGE OF THE VIRGIN ISLANDS. THE IDEA OF THE CENTER WAS PROPOSED BY THE PRESIDENT IN THE CONTEXT OF THE CARIBBEAN BASIN INITIATIVE. THE CENTER IS EXPECTED TO SERVE AS A LINK BETWEEN THE UNITED STATES AND THE ISLAND NATIONS OF THE EASTERN CARIBBEAN, AND WOULD PROVIDE STUDY AND EXPERTISE DESIGNED TO ADDRESS THE SPECIAL DEVELOPMENT NEEDS OF ISLANDS IN THE LEEWARD CHAIN.

SPECIFICALLY, THE CENTER'S WORK INCLUDES AGRICULTURE AND

TECHNOLOGY NEEDS ASSESSMENT; AN INSECT AND DISEASE DISTRIBUTION BIOLOGICAL CENSUS; FOOD PRODUCTION RESEARCH; AQUACULTURE AND FOOD PROCESSING PROJECTS; A WATER RESEARCH INVENTORY; DATA SYSTEMS IMPROVEMENT; MIDDLE-MANAGEMENT TRAINING; PROFESSIONAL TRAINING IN CRITICAL FIELDS RELATED TO HUMAN RESOURCES; AND TELECOMMUNICATIONS DESIGNED TO BRING THESE RESOURCES AND OTHERS DIRECTLY TO THE EASTERN CARIBBEAN ISLANDS.

WHILE THE FUNDING FOR PLANNING THE EASTERN CARIBBEAN CENTER HAS COME OUT OF THE DEPARTMENT OF INTERIOR BUDGET IN THE PAST, THE HOUSE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS APPROPRIATELY OBSERVED THAT THE DEPARTMENT OF STATE HAS GREATER EXPERTISE IN DEVELOPING AND ADMINISTERING THE FUNDING OF SUCH A CENTER. IN FACT, THE EAST-WEST CENTER IN HAWAII WHICH SERVES AS A MODEL FOR THE EASTERN CARIBBEAN CENTER IS FUNDED THROUGH THE UNITED STATES INFORMATION AGENCY. THUS, WHILE I ASK FOR YOUR SUPPORT FOR THE 1.2 MILLION DOLLARS REQUESTED FOR THE CENTER THIS YEAR, I ASK YOU AS MEMBERS OF THE APPROPRIATIONS COMMITTEE ACTING ON THE APPROPRIATION THE UNITED STATES INFORMATION AGENCY.

ALTHOUGH THE FALL IN THE PRICE OF OIL HAS TAKEN THE EDGE OFF OF THE TERRITORIES' DESIRE TO REDUCE THEIR RELIANCE ON IMPORTED OIL, THE DEVELOPMENT OF OUR ABUNDANT ALTERNATIVE ENERGY RESOURCES SHOULD NOT BE ABANDONED. THE RECOMMENDATIONS OF THE TERRITORIAL ENERGY

ASSESSMENT SUBMITTED TO CONGRESS BACK IN DECEMBER OF 1982 AND THE CONGRESSIONAL RESEARCH SERVICE CONFERENCE IN 1983 SHOULD STILL SERVE AS THE GUIDELINES FOR ASSURING THAT THE INSULAR AREAS WILL NOT BE INHIBITED BY UNREASONABLE RELIANCE ON IMPORTED PETROLEUM. LAST YEAR 472,000 DOLLARS WERE APPROPRIATED FOR THROUGH THE DEPARTMENT OF ENERGY TO FUND DEMONSTRATION PROJECTS EXPECTED TO MAKE AN ACTUAL CONTRIBUTION TOWARDS REDUCING THE COSTLY DEPENDENCE AND PERVASIVE DEPENDENCE ON PETROLEUM IMPORTS. I ASK THAT YOU TO SUPPORT A SIMILAR APPROPRIATION OF 475,000 DOLLARS, AS RECOMMENDED BY THE HOUSE INTERIOR AND INSULAR AFFAIRS COMMITTEE.

IN MY FINAL REQUEST, I HOPE TO CONVEY THE SENSE OF URGENCY I FEEL WITH REGARD TO PROPERTIES THAT I ASK THE COMMITTEE TO INCLUDE IN ITS BUDGET FOR ACQUISITION THROUGH THE LAND AND WATER CONSERVATION FUND. FOUR PROPERTIES WITHIN THE ST. JOHN NATIONAL PARK ARE ON THE MARKET. THE PROPERTIES ARE LOCATED AT HAWKSNEST, CINNAMON, MAHO AND GENTI BAYS, AND THERE ARE A TOTAL OF 104 ACRES. ALL ARE IDENTIFIED IN THE LAND PROTECTION PLAN AS HIGH PRIORITY ACQUISITIONS, AND MAY BE ACQUIRED ON A WILLING-SELLER BASIS. THEY INCLUDE SOME OF THE ISLAND'S MOST STUNNING BEACHES, AND SHOULD BE PROTECTED.

ADDITIONALLY, THERE HAS BEEN CONSIDERABLE CONCERN IN THE VIRGIN ISLANDS ABOUT PLANNED DEVELOPMENT OF PROPERTIES AT MAGENS BAY IN ST. THOMAS. MAGENS BAY RANKS AMONG THE WORLD'S SEVEN MOST BEAUTIFUL BEACHES. DEVELOPMENT IS EXPECTED TO HARM THE ECOLOGY, WILDLIFE (SPECIFICALLY, SEA TURTLES) AND OTHERWISE DESTROY THE PRISTINE BEAUTY OF THE BAY. WHILE MAGENS BAY IS NOT WITHIN THE ANY OF THE VIRGIN ISLANDS NATIONAL PARKS, I BELIEVE IT IS A NATURAL RESOURCE THAT IS WORTHY OF PRIORITY CONSIDERATION FOR FEDERAL ACQUISITION. I HAVE BEEN WORKING WITH THE TRUST FOR HISTORIC PRESERVATION AND THE SIERRA CLUB ON THIS ISSUE, AND URGE THE SUBCOMMITTEE TO WORK WITH MY OFFICE WITH A VIEW TOWARDS PURCHASE OF THE PROPERTY.

I THANK YOU FOR YOUR ATTENTION, AND URGE YOUR SUPPORT.

ST. CROIX AIRPORT

Mr. YATES. What is the status of the funds provided for a loan for the extension of the runway on St. Croix?

Mr. DE LUGO. The local government is about to make a request for that loan to Interior. They have been getting the necessary documents together to seek that and also to get the multi-year commitment from the FAA.

Mr. YATES. Mr. Montoya, do you have anything to say to the Virgin Islands before we adjourn?

Mr. MONTOYA. No, sir. We are in agreement about the water project and Mr. de Lugo's office and our office have been working very closely together. I would think that Bob Bunn's presence down there has made our dealings a lot more efficient.

JUVENILE DETENTION CENTERS

Mr. YATES. What about the question of the jail? Is that taken care of?

Mr. MONTOYA. The juvenile detention facilities? We have one that is on line and the other one coming on line.

Mr. YATES. And do you have funding for that?

Mr. MONTOYA. Yes.

VIRGIN ISLANDS HEALTH CARE FACILITIES

Mr. YATES. What about the hospital and mental facilities? Is that all paid for?

Mr. DE LUGO. That is all paid for.

Mr. MONTOYA. Those are going along nicely. I am intrigued and very enthusiastically supporting a management contract that the Virgin Islands is pursuing for managing those hospitals.

Mr. YATES. Any trouble staffing the hospital?

Mr. MONTOYA. We usually have trouble staffing the hospitals throughout the Territories. The problem in the Virgin Islands has not been that acute. I think the reason for it is the close proximity to the United States makes it a lot more appealing to physicians and nurses to work there rather than in Guam or American Samoa.

Mr. YATES. Anything else, Mr. de Lugo?

Mr. DE LUGO. No. Those are my main items, Mr. Chairman.

Mr. YATES. Let's come back at 1:30.

AFTERNOON SESSION

TUESDAY, APRIL 29, 1986.

NORTHERN MARIANAS

WITNESSES

PEDRO A. TENORIO, LIEUTENANT GOVERNOR, NORTHERN MARIANAS
JULIAN S. CALVO, SENATE PRESIDENT, NORTHERN MARIANAS
JOSE R. LIFOIFOI, SPEAKER OF THE HOUSE, NORTHERN MARIANAS
JUAN N. BABAUTA, SENATOR, NORTHERN MARIANAS
GREGORIO B. SABLAN, CONGRESSMAN, NORTHERN MARIANAS

SUMMARY STATEMENT OF LIEUTENANT GOVERNOR TENORIO

Mr. YATES. Governor Tenorio, would you like to come to the table? We have your written statement that may go into the record at this point. You are appearing on behalf of the Commonwealth of the Northern Mariana Islands. Is that already in being?

Governor TENORIO. Sir, hopefully, maybe this year in the United Nations.

Mr. YATES. Okay. The wish is father to the thought. How are you getting along with Mr. Montoya?

Governor TENORIO. Mr. Chairman, generally speaking, we are getting along very well. We have some problems here and there, but I think they are surmountable.

Mr. YATES. Tell us about your problems. Maybe we can iron them out.

Governor TENORIO. May I first ask, I have several members from the legislature that are here especially for the hearing and I would like to call on them.

Mr. YATES. Governor Tenorio, tell us what your problems are. Your statement is in the record, so you don't have to read your statement. What is it that you want and need and Mr. Montoya won't listen to you about?

Governor TENORIO. One of the things I wanted to inform the committee about is the status of the ongoing review of the new financial agreement for the Northern Marianas. The new seven-year agreement was negotiated with a representative of the President. Assistant Secretary Montoya, working together with a group of appointed representatives from the Commonwealth, negotiated this agreement which is in the form of legislation now in both the House and the Senate.

I have appeared before both committees for hearings several times already. At this point, the agreement passed the Senate recently and the House is still to act.

We are representing our budget for 1987 following the financial agreement for 1987. That agreement, Mr. Chairman, stipulates about $17 million for operations of the government and about $18 million for capital improvements.

That is for 1987. A lot of the funds in capital improvement would be used for ongoing essential infrastructure development, together with completion of some of the projects that we have started.

Our priorities are still the same fundamental priorities that we have been informing Congress over the last several years. That is the improvement of the water system, the extension of transmission and distribution of electrical power systems to the new and under-served areas of housing and business, the continuing development of sewerage systems, and also the completion of the Commonwealth health center, which is being funded through the generosity of the United States Congress over the last several years.

A lot of our new programs would again involve rehabilitation of existing water distribution systems in the villages, where surveys and studies have indicated they are in very deteriorated condition. In this connection, it seems that with the congressional authorization of $15 million, and over the last two years appropriations of close to $4 million, we are now being able to provide engineering and design and hopefully construction of this new water system to serve not only the growing population of the islands, but other economic related activities that are flourishing all over the islands.

We have a request this year for additional power generation monies to provide a new source of power generation on Rota and also power and transmission distribution monies for the hardening of the systems on Saipan, Tinian and Rota.

In other words, we want to begin to replace some of the old wooden poles that have been in existence there for many years with concrete, pre-stress, pre-cast concrete telephone power poles so that when the typhoons come, we won't have to worry about power outages that we are presently experiencing.

Mr. YATES. Are you still getting typhoons?

Governor TENORIO. Yes. The typhoons come and go, as they wish. The season, I believe, is July to October, and we are not praying for any typhoon, but you never can tell. Sometimes Palau will export it to us and we in turn export it to the Philippines and Japan.

Mr. YATES. You want to export it to Mr. Montoya?

Governor TENORIO. We hope Mr. Montoya would concur with some of these funds we are requesting.

These are over-ceiling requests we are asking Congress to provide above and beyond what we are asking in the Covenant.

NORTHERN MARIANAS CAPITAL IMPROVEMENTS

Mr. YATES. Do you want to reply, Mr. Montoya?

Mr. MONTOYA. We are very pleased with the Covenant that we have recommended to Congress. We feel that it is a fair amount. I commend the Lieutenant Governor for heading up the Northern Marianas delegation. The amount that was requested by us, $35,344,000, falls into two categories, capital improvements, $18,294,000, and government operations, $17,050,000, and adequately addresses all of the needs of the Northern Marianas.

We have in the agreement itself stipulations for providing any of the capital improvement projects that the Northern Marianas needs over the seven-year life of the planning, up to $126 million. That will be provided by the United States Government along with $100.5 million for government operations over the seven-year life of the agreement, an additional $1.5 million for special projects, $1 million for the hospital and $500,000 to look at the unfunded liability of their pension plan.

The Northern Marianas has made great gains and, I think, it has been because of this negotiation process for the seven-year agreement.

They have implemented some cost saving measures. There has been a commitment to reduce the expenditures of the government by approximately a million dollars a year over the seven years of the agreement and the $126 million, as I said, would fulfill the infrastructure needs of the Northern Marianas and address their booming economy.

Mr. YATES. Is there enough money in the $18,294,000 for their water and power projects?

Mr. MONTOYA. Yes, sir. Over the seven years of the program, as I said, we provided $126 million. I believe that the $18.3 million—excuse me, $17 million—provided for capital improvements in 1987 is adequate.

I was right the first time. It is $18.3 million that would be adequate to meet their infrastructure needs in fiscal year 1987. As we negotiated this, we provided for a couple of heavy years of funding in 1989 and 1990. The reason for that was we felt they could get in the learning curve, provide all the A&E required, and have the capital improvements infrastructure or organization developed so that they could get the A&E out, start construction and move on to the next A&E. So, yes, I feel it is adequate.

SEQUESTRATION OF COVENANT FUNDING

Mr. YATES. All right. What else do you want to tell us, Governor?

Governor TENORIO. Mr. Chairman, one of the things that we failed to address at the time we were negotiating this new agreement, and I am sure Mr. Secretary will vouch for this, was we did not anticipate any reduction of what we agreed upon at the time that we signed the agreement in July of last year.

Mr. YATES. Has Gramm-Rudman affected them, too?

Mr. MONTOYA. Yes, it has.

Mr. YATES. How much money were they hit by in the reduction?

Mr. HEGGESTAD. $1.2 million.

Mr. MONTOYA. For 1986.

Mr. YATES. Do they have to make that up or do you have to make it up? Do you have to request it for them?

Mr. MONTOYA. It would have to be absorbed by the Northern Marianas, Mr. Chairman.

Mr. YATES. How are you going to absorb it?

Governor TENORIO. Sir, this is the dilemma we are in right now. We have already agreed in the new agreement to reduce the government operations appropriation by about a million dollars every year for the next seven years. On top of that, with Gramm-Rudman being in effect, we could be losing an additional million, two million, four million dollars. So in other words, gross reduction of about twenty million dollars over the next seven years until the Gramm-Rudman legislation has been amended or something, but we will be losing over two million dollars a year on the operations alone.

Surely we can make up some of these losses through local revenue initiative and other collection activities and utilities, but it is a major impact on our small government operations.

[The statement of Governor Tenorio follows:]

STATEMENT OF
LT. GOVERNOR PEDRO A. TENORIO
OF THE GOVERNMENT OF THE
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

BEFORE THE

SUBCOMMITTEE ON INTERIOR & RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

APRIL 29, 1986

MR. CHAIRMAN, BEFORE I BEGIN MY PRESENTATION, I WOULD LIKE TO EXTEND, ON BEHALF OF THE DELEGATION FROM THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS, OUR BEST WISHES TO YOU AND THE MEMBERS OF THIS COMMITTEE. ALLOW ME TO INTRODUCE SENATE PRESIDENT JULIAN S. CALVO, SPEAKER JOSE R. LIFOIFOI, SENATOR JUAN N. BABAUTA AND CONGRESSMAN GREGORIO B. SABLAN.

GOVERNOR PEDRO P. TENORIO AND THE PEOPLE OF THE NORTHERN MARIANA ISLANDS, EXPRESS APPRECIATION FOR THE OPPORTUNITY TO TESTIFY IN SUPPORT OF OUR BUDGET SUBMISSION FOR FISCAL YEAR 1987, AND FOR YOUR CONTINUING INTEREST IN THE WELFARE OF THE MARIANAS. OUR PEOPLE ARE GRATEFUL TO THE UNITED STATES GOVERNMENT AND TO THE CONGRESS IN PARTICULAR FOR YOUR FINANCIAL SUPPORT DURING THE COURSE OF OUR YOUNG RELATIONSHIP WITH THE UNITED STATES.

THIS YEAR IS OF SPECIAL SIGNIFICANCE TO THE NORTHERN MARIANA ISLANDS FOR IT MARKS A NEW PHASE IN OUR SOCIO-ECONOMIC DEVELOPMENT AND OUR POLITICAL RELATIONSHIP WITH THE UNITED STATES, AS WE IN MICRONESIA PREPARE OURSELVES FOR THE TERMINATION OF THE STRATEGIC TRUSTEESHIP OF MICRONESIA. AN EVENT EVER NEARER YET EVER ELUSIVE.

FISCAL YEAR 1986 IS THE FIRST YEAR OF A NEW PERIOD OF FEDERAL FINANCIAL ASSISTANCE UNDER THE COVENANT. FOR THE FIRST TIME WE WERE WITHOUT THE FULL FAITH AND CREDIT GUARANTEE OF SECTION 702 OF THE COVENANT. THE ASSISTANT SECRETARY FOR THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS BECAME INVOLVED IN THE NEGOTIATIONS OF FUTURE FINANCIAL ASSISTANCE AS THE PRESIDENT'S SPECIAL REPRESENTATIVE.

AS THE COMMITTEE IS AWARE, THE CLOSE OF FISCAL YEAR 1985 MARKED THE END OF THE INITIAL PERIOD OF FINANCIAL ASSISTANCE UNDER THE COVENANT. ACCORDINGLY, IN 1984, PRESIDENT REAGAN AND GOVERNOR PEDRO P. TENORIO, DESIGNATED SPECIAL REPRESENTATIVES TO CONCLUDE AGREEMENT ON THE NEXT PHASE OF FINANCIAL ASSISTANCE PURSUANT TO COVENANT SECTION 902. AGREEMENT ON A JOINT RECOMMENDATION WAS MADE IN JULY 1985 AND ACTION IS PENDING IN THE CONGRESS. WEIGHTY QUESTIONS HAVE BEEN RAISED TO THE HOUSE COMMITTEE OF INTERIOR AND INSULAR AFFAIRS AND THE SENATE ENERGY COMMITTEE, OVER THE MANNER IN WHICH THE AGREEMENT WAS SIGNED AND THE SCOPE OF THE AGREEMENT ITSELF. GIVEN THE GRAVITY OF THE SUBJECT MATTER, WE CONTINUE TO FEEL THAT THE PROPER ATTENTION BE AFFORDED THESE QUERIES UNTIL A SATISFACTORY RESOLUTION OF THE ISSUES IS ACHIEVED. WE EXPRESS HOPE THAT A SATISFACTORY UNDERSTANDING CAN BE REACHED AND THAT THIS WILL BE FORTHCOMING IN THE FOLLOWING WEEKS.

THE SCHEDULES FOR CAPITAL DEVELOPMENT ASSISTANCE RECOGNIZE THAT THE COMMONWEALTH HAS ENTERED A CRUCIAL STAGE OF DEVELOPMENT. RAPID PRIVATE SECTOR DEVELOPMENT, BASED ON TOURISM, IS CREATING NEW INFRASTRUCTURE NEEDS FASTER THAN OLD NEEDS CAN BE MET. FURTHER, WHILE THE INCOME AND TAX BENEFITS FOR RAPID GROWTH WILL BE REALIZED IN THE FUTURE, THE RESOURCES TO PROVIDE THE INFRASTRUCTURE NECESSARY TO FACILITATE GROWTH ARE REQUIRED IMMEDIATELY. IF THE COMMONWEALTH IS EVER TO DEVELOP AN ECONOMY CAPABLE OF TRULY SUPPORTING SELF-GOVERNMENT, IT MUST HAVE FURTHER ASSISTANCE IN MEETING THE INFRASTRUCTURE REQUIREMENTS FOR GROWTH.

BUT CAPITAL DEVELOPMENT NEEDS ARE NOT JUST CONFINED TO REQUIREMENTS FOR ECONOMIC DEVELOPMENT. THERE IS STILL MUCH TO BE DONE IN MEETING THE NEEDS FOR SOCIAL DEVELOPMENT. WHILE CAPITAL REQUIREMENTS FOR HEALTH AND PUBLIC SAFETY ALREADY HAVE BEEN LARGELY MET, REQUIREMENTS FOR NEW SCHOOLS AND OTHER PUBLIC FACILITIES REMAIN. ALSO, DESPITE MAJOR EXPENDITURES FOR POWER, WATER AND WASTEWATER, MANY PEOPLE STILL LACK ACCESS TO THESE UTILITIES, OR SUFFER FROM INCONSISTENT AND LOW QUALITY SERVICE BECAUSE ON INADEQUATE INVESTMENT IN THE UTILITIES.

WE HAVE MADE DRAMATIC STRIDES SINCE EXECUTION OF THE COVENANT. FOR EXAMPLE, PRIOR TO CONSTITUTIONAL GOVERNMENT IN 1977, LOCAL REVENUES COLLECTED AMOUNTED TO ONLY 5 MILLION DOLLARS ANNUALLY OR ROUGHLY 34% PERCENT OF OUR TOTAL GOVERNMENT FUNDS. IN THE INTERVENING EIGHT YEARS, WE HAVE INCREASED COLLECTIONS OF LOCAL REVENUES TO OVER THIRTY-FOUR MILLION DOLLARS OR APPROXIMATELY 67% OF TOTAL GOVERNMENT FUNDS. CHART "A" DISPLAYS THE INCREASED LOCAL REVENUE GENERATION AND DECLINING DEPENDENCE ON COVENANT FUNDS FOR GOVERNMENT OPERATIONS.

EFFECTIVE JANUARY 1, 1985, THE COMMONWEALTH IMPLEMENTED PUBLIC LAW 4-24. WE HAVE EXPERIENCED OUR FIRST FULL YEAR UNDER THE "MIRROR IMAGE" OF THE INTERNAL REVENUE CODE COUPLED WITH OUR OWN LOCAL INCOME TAX LAW, PUBLIC LAW 3-11. DURING 1985, BASED ON ACTUAL INCOME TAX REVENUES COLLECTED, LESS ANTICIPATED REFUNDS FOR OVER PAYMENT, INCOME TAX REVENUES ARE ESTIMATED TO BE 4.8 MILLION DOLLARS. THIS IS AN INCREASE OF OVER 5 TIMES THOSE REVENUES COLLECTED IN FY 1978. THE INCREASE REFLECTS IMPROVED ECONOMIC CONDITIONS, INCREASED WAGES AND SALARIES AND A TAX RATE WHICH WAS MORE THAN DOUBLED IN FY 1982, WITH THE IMPLEMENTATION OF PUBLIC LAW 3-11. WE ARE EVALUATING THE EFFECTS OF THE "MIRROR IMAGE" VERSUS OUR LOCAL TAX LAW AS WELL AS THE COMBINED EFFECT OF BOTH SCHEMES. THE ANALYSIS IS BASED ON ASSUMPTIONS WHICH REFLECT LOCAL INCOME LEVELS, FAMILY SIZE AND TAX SHELTERS

OR A LACK THEREOF. CHART "B" SHOWS DISPLAYS THAT PUBLIC LAW 4-24 THE "MIRROR IMAGE" COUPLED WITH PUBLIC LAW 3-11 INCREASES THE TAX LIABILITY FOR ALL INCOME LEVELS AND IS A MORE APPROPRIATE REVENUE GENERATING MECHANISM THAN WE ORIGINALLY CONTEMPLATED. OF COURSE, TIME WILL BE THE BEST JUDGE OF ITS REAL EFFECTIVENESS.

ECONOMIC DEVELOPMENT

IN TERMS OF GENERAL ECONOMIC DEVELOPMENT, OUR TOURIST INDUSTRY CONTINUES TO DISPLAY STEADY AND ENCOURAGING GROWTH. VISITORS TO OUR ISLANDS HAVE INCREASED FROM APPROXIMATELY 51,000 IN 1978 TO 142,257 DURING 1985. IN 1978, WE HAD ONLY 476 BUSINESSES REGISTERED IN THE COMMONWEALTH; WE NOW HAVE MORE THAN 2,500 BUSINESS FIRMS IN THE NMI. IN 1978, HOTEL ROOMS NUMBERED 740; WE CURRENTLY HAVE CLOSE TO 1,000 ROOMS AND ON-GOING CONSTRUCTION WILL ADD MORE THAN 700 ADDITIONAL ROOMS WITHIN THE NEXT SIX TO EIGHTEEN MONTHS. AS A RESULT, WE EXPECT REVENUE FROM TOURISM TO INCREASE DRAMATICALLY. WE ARE ALSO VERY OPTIMISTIC ABOUT THE REVENUE THAT WE WILL COLLECT FROM GARMENT MANUFACTURING ACTIVITIES, BUT ARE CONCERNED THAT FEDERAL REGULATIONS WHICH HAVE AFFECTED THE EXISTING INVESTMENTS AND PLANNED EXPANSIONS. WE NOTE THAT THE NORTHERN MARIANA ISLANDS HAVE ISSUED A MORATORIUM ON FURTHER DEVELOPMENT IN THE GARMENT INDUSTRY UNTIL

MORE SERIOUS STUDIES CAN BE UNDERTAKEN TO EVALUATE THE FULL IMPACT THIS INDUSTRY ON OUR ISLANDS.

THE FY 1986 AND PLANNED FY 1987 OUTLAYS ARE BASED ON THE SCHEDULES OF THE NEW COVENANT FUNDING AGREEMENT BETWEEN THE NORTHERN MARIANA ISLANDS GOVERNMENT AND THE U.S. GOVERNMENT. MR. CHAIRMAN, THIS YEAR, AS IN PRIOR YEARS OUR IMMEDIATE CAPITAL INFRASTRUCTURE REQUIREMENTS ARE IN THE AREA OF WATER, POWER, SEWER AND HEALTH.

OUR POWER, WATER AND SEWER SYSTEMS HAVE UNDERGONE SUBSTANTIAL EXPANSION AS A RESULT OF GENEROUS CONGRESSIONAL APPROPRIATIONS FOR NEW CONSTRUCTION AND REHABILITATION. THESE REPRESENT SIGNIFICANT EFFORTS TO MEET THE DEMANDS OF OUR PEOPLE FOR BETTER UTILITY SERVICES AND THE REQUIREMENT OF SOUND INFRASTRUCTURE FOR ECONOMIC DEVELOPMENT. PRIOR TO 1978, UTILITY SERVICES WERE LIMITED TO VILLAGES CLOSE TO CENTRAL POWER AND WATER SOURCES. I AM PLEASED TO REPORT THAT MOST HOUSEHOLDS NOW ENJOY SUCH BASIC SERVICES. WE WISH TO RESTATE THAT MUCH REMAINS TO BE ACCOMPLISHED. AND MUCH HAS BEEN ACCOMPLISHED AS A RESULT OF THE GENEROUS RESPONSE OF THE UNITED STATES.

I WISH THE COMMITTEE TO KNOW THAT THESE OVER-CEILING REQUESTS ARE PROVIDING AN EXCELLENT START TO THE OVERALL IMPROVEMENT OF OUR PUBLIC WATER SUPPLY WHICH WILL RESULT IN A WATER SYSTEM THAT MEETS U.S. PUBLIC HEALTH DRINKING STANDARDS, PROVIDES FOR EFFICIENT MANAGEMENT AND OPERATION OF OUR WATER SYSTEM, INCLUDING BILLINGS AND COLLECTION FOR SERVICES, AND WILL PROVIDE A SYSTEM THAT IS RESPONSIVE TO FUTURE WATER NEEDS AND THE DEMANDS OF A RAPIDLY GROWING POPULATION AND ECONOMIC DEVELOPMENT. WORKING WITH TECHNICAL EXPERTS FROM THE BUREAU OF RECLAMATION THROUGH TECHNICAL ASSISTANCE GRANTS FROM OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS OF THE U.S. DEPARTMENT OF THE INTERIOR, WE ARE IMPLEMENTING WHAT WE PERCEIVE AS A REALISTIC PLAN USING THESE FUNDS, WHICH WILL REPLACE THE DETERIORATED MAIN TRANSMISSION AND DISTRIBUTION LINES, PROVIDE STANDBY GENERATORS FOR DEEP WELL PUMPING CAPABILITY, COMPLETE REHABILITATION OF DEEP WELL PUMPING CAPABILITY, COMPLETE REHABILITATION OF DEEP WELL SYSTEMS, IMPROVE METERING AT THE WATER SOURCES AND CONSUMPTION AREAS, PREVENT WATER CONTAMINATION THROUGH PROPER DISINFECTION BY CHLORINATION, AND ALLOW FOR A SYSTEMATIC MONITORING OF WATER QUALITY AND QUANTITY.

COMMONWEALTH HEALTH CENTER

BARRING UNFORESEEN CIRCUMSTANCES, THE NEW COMMONWEALTH HEALTH CENTER WILL BE OPERATIONAL DURING THE FIRST QUARTER OF FY 1987. WE ARE FORTUNATE THAT THE U.S. CONGRESS HAD THE FORESIGHT TO PROVIDE FUNDS FOR START-UP COSTS IN THE AMOUNT OF ONE MILLION WILL AFFORD A SMOOTH TRANSFER OF OPERATIONS FROM THE CURRENT FACILITY TO THE NEW HEALTH CENTER.

THE NMI DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENTAL SERVICES (PH&ES)IS MAKING MAJOR PROGRESS TOWARDS AN EFFICIENT TRANSITION OF OPERATIONS TO THE NEW COMMONWEALTH HEALTH CENTER (CHC). ATTAINING MEDICARE AND MEDICAID CERTIFICATION OF THE CHC IS THE TOP PRIORITY FOR THE NMI GOVERNMENT. RECRUITMENT OF QUALITY STAFF IS PROGRESSING ACCORDING TO PLAN; SEVENTY-ONE ACCORDING TO THE PLAN. THESE INCLUDE THE FORTY THREE (43) PROFESSIONALS, TWELVE FINANCIAL ADVISORS AND SIXTEEN (16) SUPPORT SERVICES STAFF.

PREVENTIVE AND RESTORATIVE MAINTENANCE PROGRAMS HAVE BEEN GIVEN A PRIORITY EQUAL TO THAT OF THE NURSING PROGRAM TO ENSURE CONTINUED AVAILABILITY OF QUALITY FACILITIES AND EQUIPMENT FOR THE DELIVERY OF HEALTH CARE IN THE FUTURE.

A THREE MILLION DOLLAR INCREASE IN PARTICIPATION BY CNMI RESIDENTS FOR THE COST OF HEALTH CARE IS EXPECTED THROUGH HIGHER FEES AND THE CREATION OF A MANDATORY GOVERNMENT HEALTH INSURANCE PROGRAM. THE DEPARTMENT OF PH&ES IS CONFIDENT OF A SMOOTH TRANSITION BY FOLLOWING THE PRESENT PLANS FOR IN-SERVICE, ORIENTATION AND IMPLEMENTATION OF THE CHANGES REQUIRED TO MEET THE MEDICARE CERTIFICATION CONDITIONS.

COMMONWEALTH HEALTH CENTER CONSTRUCTION PROJECT

THE TOTAL PROJECT COST OF THE COMMONWEALTH HEALTH CENTER, INCLUSIVE OF SITEWORK, GENERAL CONSTRUCTION, WATERPROOFING, ROOFING, MECHANICAL, FIXED EQUIPMENT PURCHASES AND THE PURCHASE OF COLLATERAL EQUIPMENT FURNISHING (GROUP II AND III MOVEABLE EQUIPMENT), IS ESTIMATED TO BE $28,227,000, THE ORIGINAL ESTIMATE WAS $30,248,345. THE CENTER, WHEN COMPLETED, WILL HAVE 74 BEDS, WITH A CAPACITY TO EXPAND TO 100 BEDS, AND WILL PROVIDE IN-PATIENT NURSING, ANCILLARY OUT-PATIENT CLINICS, A PUBLIC HEALTH CLINIC, DENTAL CLINIC AND SUPPORT AND SUPPLY FACILITIES. IT WILL HAVE EMERGENCY POWER AND WATER SYSTEMS TO GUARD AGAINST TYPHOONS, PERIODIC BROWNOUTS AND OTHER NATURAL DISASTERS.

DURING THE PAST FOUR YEARS $26,845,000 IN FUNDS HAVE BEEN APPRECIATED FOR THE NEW HEALTH CENTER CONSTRUCTION. IN ADDITION, $1,296,000 WAS APPROPRIATED IN FY 1982 FOR THE DESIGN AND ENGINEERING. BASED ON CURRENT CONSTRUCTION EXPENDITURES, OBLIGATIONS AND ANTICIPATED OBLIGATIONS IT IS ESTIMATED THAT THE COMPLETED CONSTRUCTION PROJECT WILL COST $28,227,000. THE COMMONWEALTH CAPITAL IMPROVEMENT BUDGET FOR FY 1986 PROVIDES FOR THE ADDITIONAL REQUIREMENTS.

LOCAL INITIATIVES TO CONTROL THE COST OF GOVERNMENT

AT THIS POINT, I WOULD LIKE TO TAKE A MOMENT TO BRIEFLY ACQUAINT THE COMMITTEE WITH THE STATUS OF A FEW LEGISLATIVE, EXECUTIVE AND INITIATIVES THAT THE COMMONWEALTH GOVERNMENT HAS UNDERTAKEN IN A CONTINUING AND DETERMINED EFFORT TO REDUCE BOTH THE SIZE AND COST OF GOVERNMENT OPERATIONS. BY RAISING ADDITIONAL OPERATING REVENUE LOCALLY AND MONITORING THE PACE OF ECONOMIC DEVELOPMENT, AS CHART "C" SHOWS THE NMI HAS HAD SOME SUCCESS AT MAINTAINING A MODERATE INCREASE IN THE GROWTH OF GOVERNMENT EVEN IN THE MIDST OF RATHER STARTLING ECONOMIC GROWTH AND THE DEMANDS OF INCREASED GOVERNMENT SERVICES.

THE BOARD OF DIRECTORS OF THE COMMONWEALTH UTILITY COMMISSION HAVE BEEN APPOINTED. THE CUC AN INDEPENDENT COMMISSION CREATED BY PUBLIC LAW 4-47, IS EMPOWERED TO ESTABLISH REALISTIC CONSUMER UTILITY RATES AND THUS GRADUALLY REDUCE THE EXISTING DISCREPANCY BETWEEN THE COST OF PROVIDING UTILITY SERVICES AND REVENUES COLLECTED FROM DIRECT SERVICE CHARGES TO CONSUMERS. THE CUC IS SIMILAR TO PUBLIC UTILITY COMMISSIONS IN MANY JURISDICTIONS IN THE TERRITORIES AND MAINLAND UNITED STATES. THE LAW REQUIRED THE AUTHORITY TO ACHIEVE THESE OBJECTIVES WITHIN THREE FISCAL YEARS FOLLOWING THE ESTABLISHMENT OF THE COMMISSION. IN ADDITION, THE CUC IS CHARGED WITH EXPLORING THE FEASIBILITY OF PRIVATIZING SOME OR ALL UTILITY SERVICES WITHIN COMMONWEALTH, AN AREA WE VIEW AS PROMISING.

THE COMMONWEALTH DEVELOPMENT AUTHORITY IS THE SUCCESSOR AGENCY TO THE ECONOMIC DEVELOPMENT LOAN FUND AND REPRESENTS A QUANTUM LEAP IN OUR EFFORT TO RATIONALIZE STRATEGIC ECONOMIC PLANNING AND DEVELOPMENT WITHIN THE COMMONWEALTH. THE CDA IS PROVIDED WITH BROAD FINANCING AUTHORITY WHICH WILL ENABLE THE GOVERNMENT TO MORE EFFECTIVELY DEPLOY ECONOMIC DEVELOPMENT FUNDS USING PUBLIC FINANCING DEVICES SUCH AS TAX EXEMPT REVENUE BONDS AND SIMILAR FINANCIAL LEVERAGING TECHNIQUES.

FINALLY, WE HAVE PROVIDED THE COMMITTEE WITH A DETAILED STRATEGY FOR CAPITAL INVESTMENT OF COVENANT FUNDS FOR THE PERIOD FY 1986 THROUGH FY 1992. THE DETAILED STRATEGY IS UNDER SEPARATE COVER.

NOTWITHSTANDING THESE DRAMATIC STRIDES TOWARD ECONOMIC SELF-SUFFICIENCY OVER THE PAST SEVEN YEARS, IT IS CLEAR THAT THE NORTHERN MARIANAS CANNOT YET RELY ENTIRELY ON LOCAL REVENUE RESOURCES TO PAY THE COST OF RUNNING OUR GOVERNMENT, WHILE IMPLEMENTING THE PROGRAMS NECESSARY TO DEVELOPE OUR ECONOMIC BASE AND EVENTUALLY RAISING THE STANDARD OF LIVING ANTICIPATED BY THE COVENANT.

THE NEED TO PROVIDE AN ADEQUATE INFRASTRUCTURE OF ROADS, HARBORS, AIRPORTS, ELECTRICAL POWER AND POTABLE WATER, AN IMPROVED EDUCATIONAL SYSTEM AND A POOL OF TRAINED MANPOWER TO SUPPORT ECONOMIC DEVELOPMENT EASILY OUTSTRIPS OUR ABILITY TO COVER THESE COSTS USING OUR OWN FINANCIAL RESOURCES ALONE. IF WE ARE TO ACHIEVE THESE GOALS, WE ARE COMPELLED TO CONTINUE TO SEEK UNITED STATES FINANCIAL ASSISTANCE IN THE YEARS TO COME.

INTERIOR'S BUDGET

NMI'S PROPOSED OUTLAYS FOR FY 1987 ARE BASED ON THE NEW COVENANT FUNDING AGREEMENT BETWEEN THE CNMI AND THE U.S. GOVERNMENT.

WE THUS SUPPORT THE FY 1987 BUDGET FOR THE COMMONWEALTH SUBMITTED BY THE DEPARTMENT OF THE INTERIOR AS CONSISTENT WITH THE PROVISIONS OF SECTION 704 OF THE COVENANT. FOR FISCAL YEAR 1987, THE COVENANT PROVIDES A TOTAL OF $35,344,000 COMPRISED OF $18,294,000 FOR CAPITAL IMPROVEMENT AND $17,050,000 FOR GOVERNMENT OPERATIONS. DETAILED BREAKDOWNS OF HOW WE PROPOSE TO EXPEND COVENANT MONIES ARE PROVIDED IN THE BUDGET SCHEDULES WHICH ACCOMPANY MY STATEMENT.

WATER SUPPLY

AS WITH HEALTH FACILITIES, WE CONSIDER WATER PRODUCTION, DISTRIBUTION, AND EXTENSION OF SERVICES TO UNSERVED AREAS OF RESIDENTIAL AS WELL AS BUSINESS DEVELOPMENT SUCH AS HOTEL CONSTRUCTION, TO BE THE SAME HIGH PRIORITY. MR. CHAIRMAN, IN ALL PREVIOUS TESTIMONY BEFORE YOUR COMMITTEE, WE HAVE EMPHASIZED THE NEED FOR FUNDS TO IMPROVE OUR WATER SYSTEMS. I RESPECTFULLY REQUEST 58 MILLION DOLLARS UNDER THE AUTHORIZATION OF 15 MILLION DOLLARS AS PROVIDED BY P.L. 98-454. THE PROPOSED PROJECTS ARE DESIGNED TO PROVIDE THE IMPROVEMENTS NECESSARY TO ENSURE CONTINUOUS WATER SERVICE TO THE MAJORITY OF THE POPULATION CENTERS OF OTHER POPULATED ISLANDS, AS WELL AS RURAL COMMUNITIES AND AGRICULTURE LANDS. THESE PROJECTS ARE EXPECTED

TO DRAMATICALLY IMPROVE THE WATER SUPPLY TO THOSE AREAS THAT HAVE BEEN UNSERVED OR UNDERSERVED. SEE ATTACHMENT 1.

POWER

AT THIS TIME, WE ARE REQUESTING AN APPROPRIATION OF 3 MILLION DOLLARS REPRESENTING A PARTIAL PAYMENT FROM THE BALANCE OF THE AUTHORIZATION OF P.L. 95-348 FOR ADDITIONAL POWER GENERATING CAPABILITY FOR SAIPAN AND ROTA POWER PLANTS, AND FOR DISTRIBUTION AND TRANSMISSION SYSTEMS FOR THE ISLANDS OF SAIPAN, TINIAN AND ROTA. THE ISLAND OF ROTA HAS BEEN UNDER POWER RATIONING SINCE SEPTEMBER OF 1984, AND CONDITIONS THERE ARE SO CRITICAL THAT BUSINESS INVESTMENT AND OTHER ECONOMIC DEVELOPMENTS ARE BEING DISCOURAGED. IT IS NECESSARY THAT FUNDS BE MADE AVAILABLE WITHOUT DELAY. IN SAIPAN, IT IS NECESSARY TO PROCURE AN ADDITIONAL GENERATOR. THE POWER PLANT WAS CONSTRUCTED WITH A 5 MILLION DOLLAR APPROPRIATION UNDER A 12 MILLION DOLLAR AUTHORIZATION MADE IN FY 1979 P.L.95-348. THE POWER PLANT WAS ORIGINALLY DESIGNED TO MEET THE IMMEDIATE NEEDS OF SAIPAN. OUR ECONOMIC AND SOCIAL GROWTH, HOWEVER, HAVE EXCEEDED OUR PROJECTION FOR POWER AND WE NOW FIND THAT WITHOUT AN IMMEDIATE ADDITION TO OUR PRESENT GENERATING CAPACITY, WE WILL BE WITHOUT POWER.

WE ARE ALSO REQUESTING AN APPROPRIATION OF 4 MILLION DOLLARS FOR THE UPGRADING AND HARDENING OF THE POWER DISTRIBUTION SYSTEMS IN SAIPAN, TINIAN AND ROTA. THE UPGRADING AND TYPHOON HARDENING OF THE POWER DISTRIBUTION SYSTEMS ON SAIPAN, TINIAN AND ROTA HAS BEEN A HIGH PRIORITY PLANNED FOR SEVERAL YEARS. CONSTRUCTION OF THE SYSTEM MUST BE UNDERTAKEN TO ENSURE THE AVAILABILITY OF ELECTRICAL POWER TO MEET THE DEMANDS IN THE POPULATION CENTERS AS WELL AS TO PERMIT CONTINUED INDUSTRIAL, COMMERCIAL AND OVERALL ECONOMIC GROWTH IN THE ISLANDS SUCH CONSTRUCTION WILL ALLEVIATE THE RECURRING ELECTRICAL OUTAGES ASSOCIATED WITH THE OPERATION AND MAINTENANCE OF THE PRESENT POWER DISTRIBUTION SYSTEMS AND REDUCE THE COSTLY AND EXCESSIVE VOLTAGE IN THE SYSTEMS. SEE ATTACHMENT 3.

AMERICAN MEMORIAL PARK

LASTLY,U.S. PUBLIC LAW 95-348 AUTHORIZES AN APPROPRIATION NOT TO EXCEED $3.0 MILLION FOR THE DEVELOPMENT OF THE AMERICAN MEMORIAL PARK. THE PARK ENCOMPASSES 133 ACRES OF PRIME COASTAL AREA IMMEDIATELY ADJACENT TO THE MAJOR HOTEL DISTRICT AND HARBOR FACILITIES ON SAIPAN. IT IS A MEMORIAL FOR THE AMERICAN SOLDIERS AND CIVILIANS WHO GAVE THEIR LIVES IN THE NORTHERN MARIANA ISLANDS DURING WORLD WAR II. IN ADDITION, THE PARK WOULD SERVE AS A MAJOR ATTRACTION TO TOURISTS AND RESIDENTS FOR RECREATION AND SPORT ACTIVITIES.

THE NATIONAL PARK SERVICE HAS BEEN AUTHORIZED TO PLAN, DEVELOPE AND ADMINISTER THE PARK. THE PHYSICAL DEVELOPMENT MASTER PLAN FOR SAIPAN. PROVIDES FOR SEVERAL PHASES OF DEVELOPMENT. THE FIRST PHASE IS ESTIMATED TO COST $3.0 MILLION, HOWEVER, THE TOTAL COST IS ESTIMATED TO BE BE $16.0 MILLION. THE PARK IS TO INCLUDE A HISTORY CENTER, A NATURE CENTER, BOAT RAMPS, ATHLETIC FIELDS, SWIMMING POOL, AMPHITHEATER AND PICNIC FACILITIES. THE PARK IS INTENDED AS A LIVING MEMORIAL TO THE VETERANS OF WORLD WAR II.

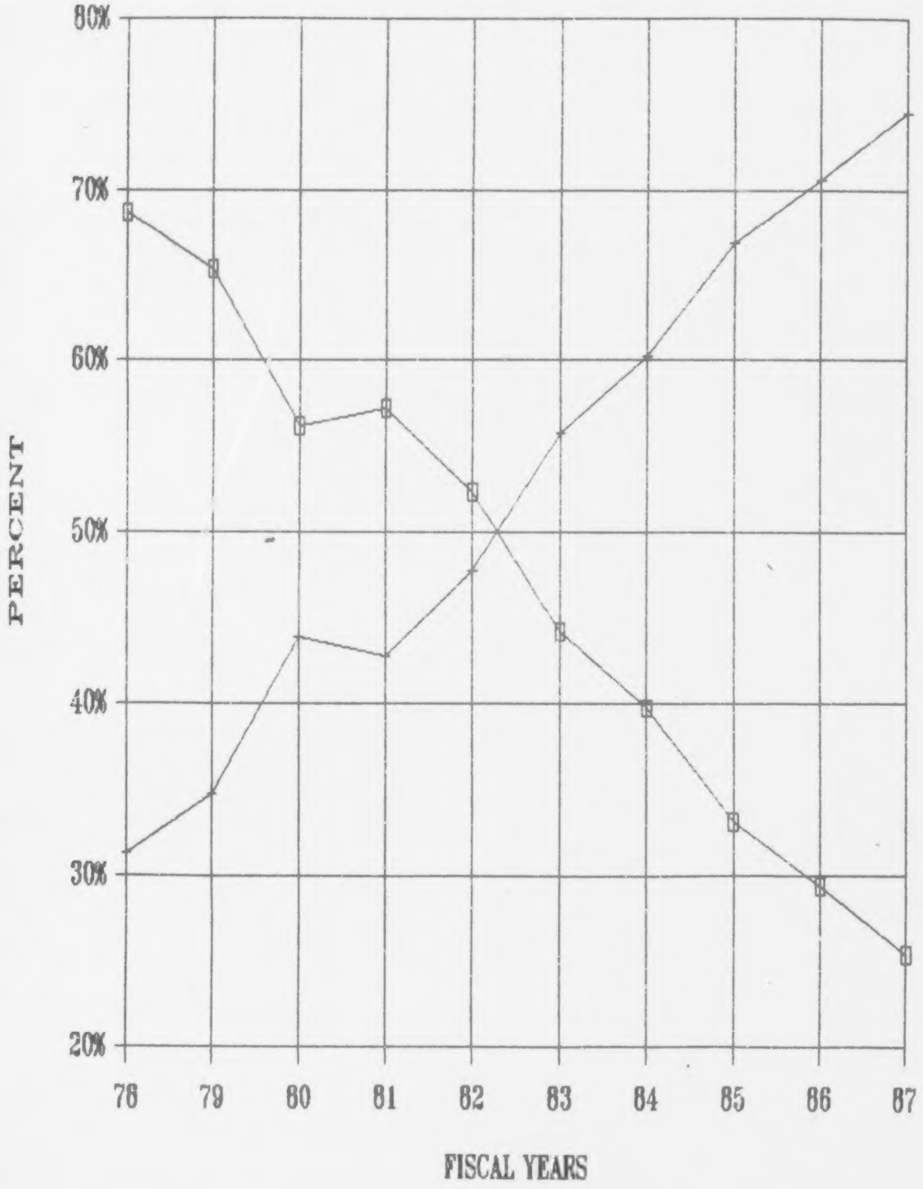
CONCLUSION

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE, WE HAVE SUBMITTED A LIST OF ADDITIONAL FUNDING REQUESTS WHICH THE COMMONWEALTH OF THE NORTHERN MARIANAS CONSIDERS TO BE VITAL TO OUR SOCIAL AND ECONOMIC DEVELOPMENT. WE HAVE TRIED OUR BEST TO FIND LOCAL FUNDING THROUGH SUBSTANTIAL INCREASES IN UTILITY RATES AND COLLECTION OF NEW TAXES, BUT WE STILL HAVE A LONG WAY TO GO. WITHOUT PROPER INFRASTRUCTURE IN PLACE, WE WILL NEVER BE ABLE TO DEVELOP THE ECONOMIC RESOURCES NEEDED TO MEET OUR FINANCIAL RESPONSIBILITIES AS A GOVERNING COMMONWEALTH WITHIN THE AMERICAN COMMUNITY.

WITH THE CLOSE OF FISCAL YEAR 1985, WE REACHED THE END OF THE FIRST SEVEN YEAR PERIOD OF OUR YOUNG POLITICAL ASSOCIATION WITH THE UNITED STATES. I KNOW OF NO OTHER UNITED STATES TERRITORY OR STATE THAT WAS GIVEN SUCH A COMPRESSED TIMETABLE WITHIN WHICH TO REACH POLITICAL AND ECONOMIC MATURITY. WHEN WE ENTERED INTO POLITICAL UNION WITH THE UNITED STATES AND ADOPTED OUR OWN CONSTITUTION, A MERE SEVEN YEARS AGO, WE TOOK UPON OURSELVES AND OUR CHILDREN A HISTORIC MISSION: WE TOOK UP THE OPPORTUNITIES AND CHALLENGES, AND THE VERY REAL BURDENS OF SELF-GOVERNMENT. EMERGING FROM A LONG PAST DEVOID OF SELF-GOVERNMENT, WE ARE REQUIRED TO RAPIDLY CREATE AND WISELY ADMINISTER OUR OWN POLITICAL ORGANIZATION. AND WE MUST DO THIS AND DO IT WELL, EAGER AS WE ARE TO DECREASE OUR DEPENDENCY ON THE FEDERAL GOVERNMENT AND INCREASE OUR OWN SELF-RELIANCE. WE BELIEVE THAT THIS CONSTITUTES SELF-GOVERNMENT AND THIS IS FUNDAMENTAL TO OUR POLITICAL RELATIONSHIP WITH THE UNITED STATES AND FORMS THE VERY HEART OF THE COVENANT IN ENSURING THAT THE NMI PURSUE POLITICAL, ECONOMIC, AND SOCIAL OBJECTIVES WHICH REFLECT THE ASPIRATIONS OF ITS PEOPLES. HOWEVER, OUR ASPIRATIONS OF TRUE SELF-GOVERNMENT CAN ONLY BE ACHIEVED WITH YOUR CONTINUED HELP. WE ARE ASKING, IN ESSENCE, FOR THE MINIMUM FINANCIAL ASSISTANCE WHICH WE DEEM ABSOLUTELY ESSENTIAL TO DEVELOP OUR ISLANDS INFRASTRUCTURE, TO PROVIDE THE VERY BASIC SERVICES TO OUR COMMUNITIES, AND TO ENCOURAGE DEVELOPMENT THAT PROVIDES THE BASIS FOR INCREASED REVENUE GENERATING CAPABILITY AND EVENTUAL SELF-RELIANCE.

COVENANT FUNDS VS LOCAL REVENUE

CHART "A"



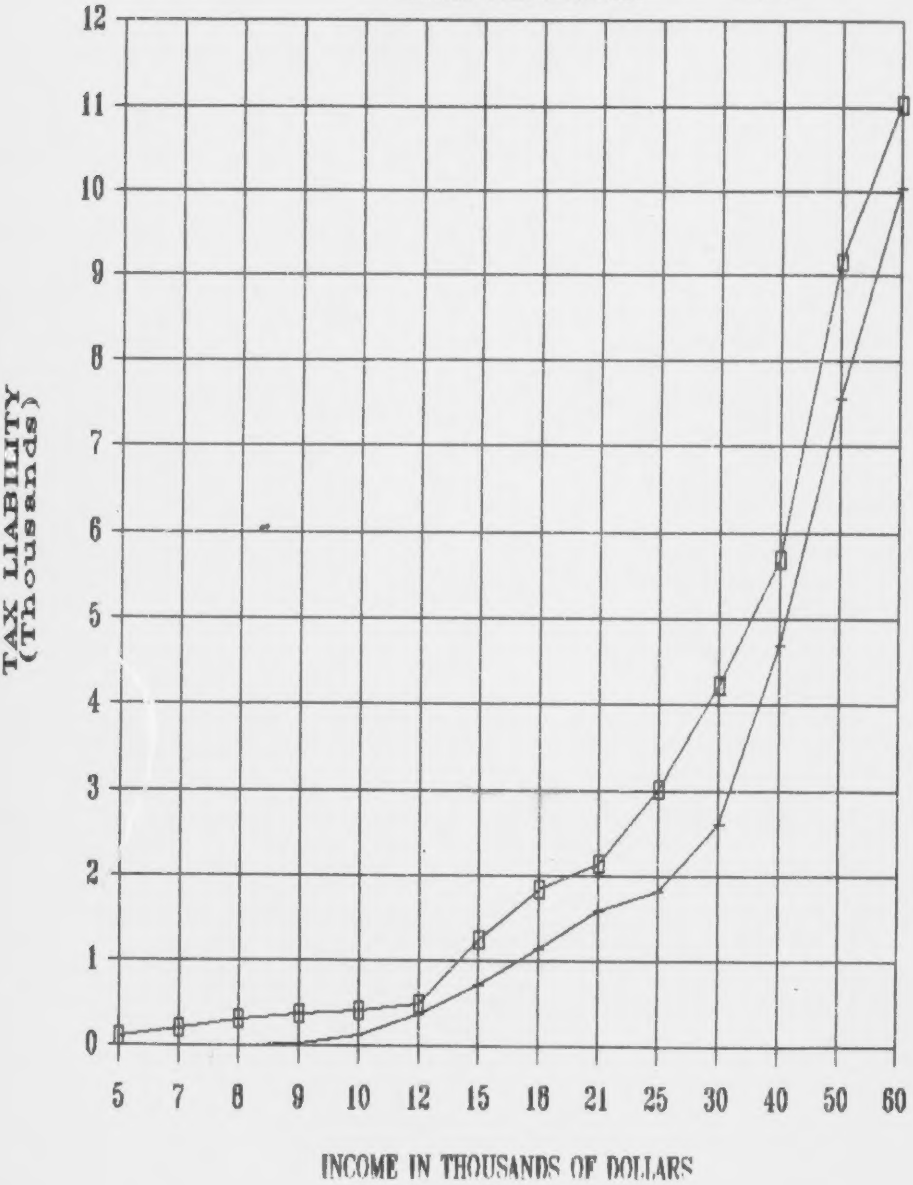
COST OF GOVERNMENT OPERATIONS
THOSANDS OF DOLLARS

FY	COVENANT FUNDS	PERCENT OF TOTAL	LOCAL TAXES	PERCENT OF TOTAL	TOTAL COST OF GOVT.
*78	$11,082.00	68.7%	$5,054.50	31.3%	$16,136.50
79	$11,918.00	65.3%	$6,343.30	34.7%	$18,261.30
80	$13,038.00	56.1%	$10,189.30	43.9%	$23,227.30
81	$14,390.00	57.2%	$10,780.70	42.8%	$25,170.70
82	$15,231.00	52.3%	$13,904.80	47.7%	$29,135.80
83	$16,108.00	44.2%	$20,341.60	55.8%	$36,449.60
84	$16,337.00	39.8%	$24,726.60	60.2%	$41,063.60
85	$16,927.00	33.1%	$34,201.90	66.9%	$51,128.90
86	$16,996.00	29.4%	$40,847.40	70.6%	$57,843.40
87	$17,050.00	25.5%	$49,906.10	74.5%	$66,956.10

* Partial year, $9,871.0 full year would have been $11,082.0

TYPICAL INCOME TAX LIABILITY

MARRIED FILING JOINTLY CHART "B"



TYPICAL INCOME TAX LIABILITY

	CNMI PLUS IRC				IRC ONLY			
GROSS INCOME	MARRIED JOINT FILE	PERCENT GR. INC.	SINGLE PERSON	PERCENT GR. INC.	MARRIED JOINT FILE	PERCENT GR. INC.	SINGLE PERSON	PERCENT GR. INC.
5000	$100	2.0%	$304	6.1%	$0	0.0%	$179	3.6%
7000	$210	3.0%	$568	8.1%	$0	0.0%	$447	6.4%
8000	$320	4.0%	$653	8.2%	$0	0.0%	$589	7.4%
9000	$361	4.0%	$739	8.2%	$26	0.3%	$739	8.2%
10000	$407	4.1%	$824	8.2%	$136	1.4%	$890	8.9%
12000	$499	4.2%	$996	8.3%	$366	3.1%	$1.210	10.1%
15000	$1,246	8.3%	$1,258	8.4%	$722	4.8%	$1,756	11.7%
18000	$1,824	10.1%	$1.875	10.4%	$1,143	6.4%	$2,397	13.3%
21000	$2.127	10.1%	$2,203	10.5%	$1,591	7.6%	$3,118	14.8%
25000	$3,016	12.1%	$3,100	12.4%	$1,816	7.3%	$3,508	14.0%
30000	$4,225	14.1%	$4,332	14.4%	$2,599	8.7%	$4,738	15.8%
40000	$5,695	14.2%	$5,842	14.6%	$4,699	11.7%	$7,638	19.1%
50000	$9,153	18.3%	$9,328	18.7%	$7,566	15.1%	$11,069	22.1%
60000	$11,032	18.4%	$11,272	18.8%	$10,041	16.7%	$14,842	24.7%

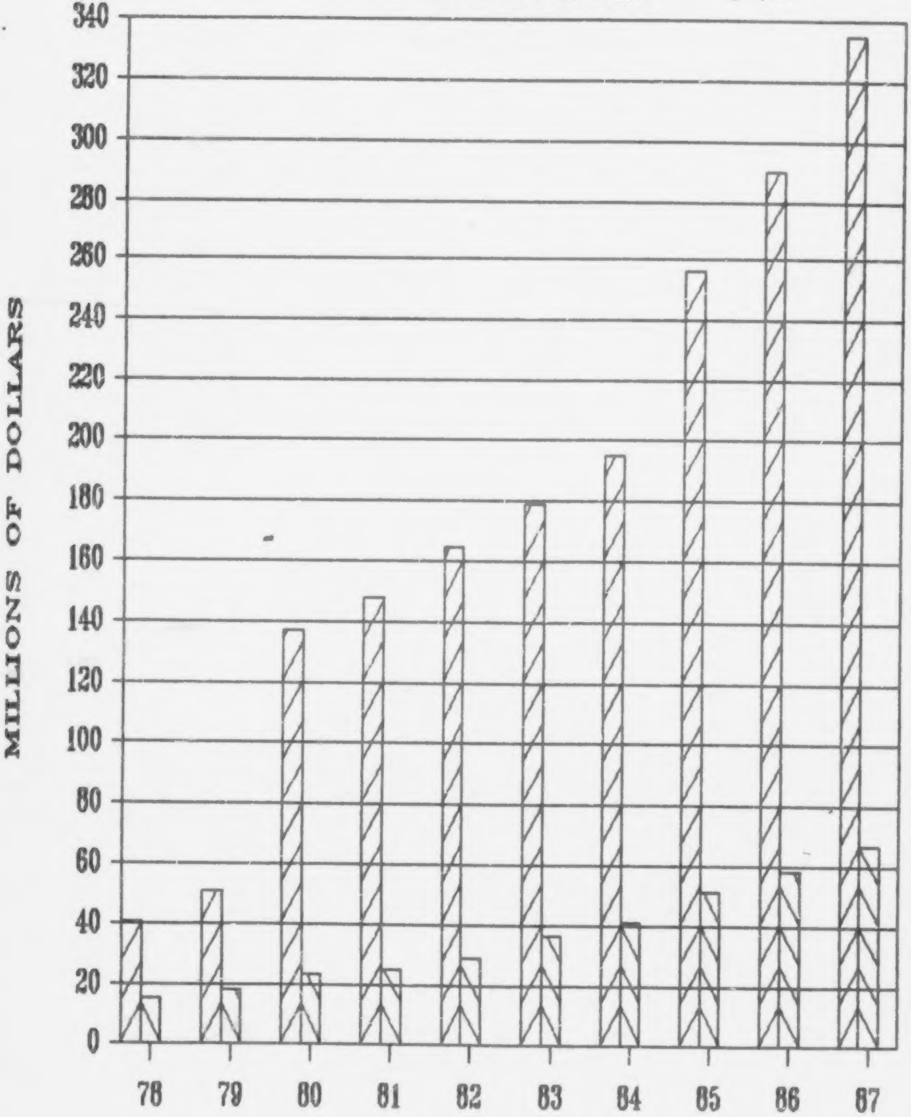
Tax Liability based upon the following assumptions

I. Married Filing Jointly
   A. Total of 5 Exemptions (Typical CNMI Family)
   B. Schedule with Allowance
   C. 10% added deduction for wage earners $25,000 and over

II. Single Person
   A. 1 Exemption
   B. 10% added deduction for wage earners $25,000 and over

GROSS ISLAND PRODUCT

VS COST OF GOVERNMENT CHART "C"



COST OF GOVERNMENT
COMPARED TO
GROSS ISLAND PRODUCT
MILLIONS OF DOLLARS

YEAR	GIP	COG	PERCENT
78	$40.6	$14.9	37%
79	$50.7	$18.2	36%
80	$137.0	$23.2	17%
81	$148.0	$25.2	17%
82	$165.0	$29.1	18%
83	$179.0	$36.4	20%
84	$195.1	$41.0	21%
85	$256.3	$51.1	20%
86	$290.0	$58.0	20%
87	$335.0	$67.0	20%

SEQUESTRATIONS OF COVENANT FUNDING

Mr. YATES. How do you propose to make them up?

Mr. MONTOYA. We have confidence in the Congress, they will stay within the Gramm-Rudman targets and that we won't get into a sequestration in 1987.

Mr. YATES. Confidence in which Congress? Theirs or ours?

Mr. MONTOYA. Our Congress. Your colleagues.

Mr. YATES. My colleagues. You have confidence they will stay within the Gramm-Rudman target as stated in the President's budget?

Mr. MONTOYA. Yes, sir.

Mr. YATES. I hope your actions in other respects are better than the one you base this hope on. You do, too, don't you?

Mr. MONTOYA. I hope my confidence is not ill-placed in Congress.

Mr. YATES. Okay. How are you going to absorb it?

He says you are going to absorb the money. How are you going to do it?

Governor TENORIO. Mr. Chairman, we are——

Mr. YATES. Have you talked absorption with him?

Governor TENORIO. No, sir. As I said in my opening statement, this is a problem that we have.

Mr. YATES. Do you want to talk absorption with him? Two million dollars is a lot of money for your budget, isn't it?

Governor TENORIO. Yes, sir. It represents about 15 or 20 percent of our operations from the Covenant.

Mr. YATES. Do you think we will be able to change his mind or are you trying to change mine?

Governor TENORIO. I am sure Mr. Montoya would recognize the need for the government to properly exist.

Mr. YATES. He says you have done a wonderful job up to now. He wants you to do a more wonderful job.

Governor TENORIO. We could live with a reduction of one million dollars, but two million dollars is too much.

Mr. YATES. Could you agree to provide him with the extra million dollars, Mr. Montoya?

Mr. MONTOYA. As Mr. Itteilag pointed out, when this agreement was negotiated, as the President's representative, I was basing it on full faith and credit of the government as a recommendation to Congress.

I believe if that holds, there is a possibility that this would be restored in 1988.

Mr. ITTEILAG. I think this is a different issue, Mr. Chairman.

Mr. YATES. What is a different issue?

Mr. ITTEILAG. The sequestration of funds under a permanent appropriation as compared to full funding in an appropriations bill of an authorization that is guaranteed by the full faith and credit.

Mr. YATES. I would agree with that. Having disposed of that, though, now what do we do about the extra million dollars that they need? They can absorb a million dollars which is a pretty big absorption for them. How are they going to absorb the extra million dollars?

Okay. Silence is eloquent.

Governor, do you or your colleagues want to say anything else beyond what you have told us?

Okay. All right. I take it your colleagues support your statement.

Governor **Tenorio**. Yes, Mr. Chairman. They have submitted their statement also.

Mr. **Yates**. Their statements may be made part of the record, too, as well.

Thank you very much. We appreciate your coming here.

[The statement of Mr. Babauta follows:]

STATEMENT OF JUAN N. BABAUTA
CHAIRMAN, SENATE FISCAL AFFAIRS COMMITTEE
FIFTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
FY 1987 BUDGET HEARING

BEFORE

THE SUBCOMMITTEE ON INTERIOR & RELATED AGENCIES

OF THE

COMMITTEE ON APPROPRIATIONS

U.S. HOUSE OF REPRESENTATIVES

APRIL 29, 1986

STATEMENT OF JUAN N. BABAUTA
CHAIRMAN, SENATE FISCAL AFFAIRS COMMITTEE
FIFTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE
FY 1987 BUDGET HEARING
BEFORE THE
SUBCOMMITTEE ON INTERIOR & RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
U. S. HOUSE OF REPRESENTATIVES

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE:

I AM JUAN N. BABAUTA, CHAIRMAN OF THE FISCAL AFFAIRS COMMITTEE OF THE SENATE OF THE FIFTH NORTHERN MARIANAS COMMONWEALTH LEGISLATURE. THIS IS THE FIRST TIME I HAVE BEEN PRIVILEGED TO APPEAR BEFORE YOU TO TESTIFY ON BEHALF OF THE BUDGET REQUEST FOR THE NORTHERN MARIANA ISLANDS, AND IT DOES INDEED GIVE ME GREAT PLEASURE TO BE HERE IN OUR NATION'S CAPITOL. SO I WOULD LIKE TO BEGIN BY OFFERING YOU THE GREETING WE USE BACK HOME -- A CHEERFUL HAFA ADAI! TO EVERYONE IN THE ROOM TODAY.

OUR GOVERNOR HAS ALREADY VERY CABABLY OUTLINED FOR THE COMMITTEE THE NORTHERN MARIANA ISLANDS GOVERNMENT'S PLAN FOR EXPENDITURES IN FISCAL YEAR 1987 AND THE JUSTIFICATION AND NEED FOR UNITED STATES FINANCIAL ASSISTANCE. IN MY TESTIMONY TODAY, I WOULD LIKE TO COMPLEMENT AND REINFORCE THE GOVERNOR'S TESTIMONY, AND CALL THE ATTENTION OF THE COMMITTEE TO THOSE MATTERS WHICH WE IN THE COMMONWEALTH SENATE FIND TO BE MOST IMPORTANT AND SIGNIFICANT.

FUNDAMENTALLY, OUR FY 1987 BUDGET REQUEST IS BASED ON THE

AGREEMENT FOR A NEW PERIOD OF MULTI-YEAR FINANCIAL ASSISTANCE, SIGNED BY SPECIAL REPRESENTATIVES OF THE PRESIDENT OF THE UNITED STATES AND THE GOVERNOR OF THE NORTHERN MARIANA ISLANDS ON JULY 10, 1985. WE BELIEVE THAT AGREEMENT PROVIDES A SOUND BASIS FOR CONTINUED DEVELOPMENT IN THE NORTHERN MARIANA ISLANDS ALONG WITH ASSURANCES THAT U.S. FINANCIAL ASSISTANCE WILL BE SPENT EFFECTIVELY AND RESPONSIBLY, AND WE URGE CONGRESS ENACT IT INTO LAW PROMPTLY WITHOUT CHANGE (H.J.R. 423).

WE DO WISH TO NOTE, HOWEVER, THAT THE JULY 10, 1985 AGREEMENT IS A COMPLEX DOCUMENT, AND CONCURRENCE BY THE REPRESENTATIVES OF BOTH SIDES WAS PREMISED ON THE PRINCIPLE THAT IT WOULD BE TAKEN AS A WHOLE, THAT EACH AND EVERY ONE OF ITS PROVISIONS ARE MUTUALLY INTERDEPENDENT, AND THAT THE INTEGRITY OF EACH DETAIL AND PROVISION WOULD BE PRECISELY PROTECTED AND PRESERVED. IN THIS CONTEXT, IT IS IMPORTANT TO NOTE THAT AN ENTIRELY SEPARATE CONGRESSIONAL ACTION HAS ALREADY WEAKENED THE FOUNDATION OF THAT AGREEMENT, AND WE WOULD HOPE THAT CAN BE REMEDIED AT THIS TIME.

THE GRAMM-RUDMAN-HOLLINGS ACT HAS ALREADY CAUSED A REDUCTION IN FUNDING FOR THE NORTHERN MARIANA ISLANDS BELOW THAT PROVIDED FOR THE FIRST YEAR UNDER THE NEW MULTI-YEAR FINANCIAL ASSISTANCE AGREEMENT. GRAMM-RUDMAN-HOLLINGS IMPACTS NOT ONLY THE NORTHERN MARIANA ISLANDS BUT ALL INSULAR AREAS. BECAUSE OF STRUCTURAL DIFFERENCES BETWEEN THE STATES AND THE INSULAR AREAS, IT IMPOSES A GREATER BURDEN ON INSULAR AREAS THAN IT DOES STATES. AND AS HAS

BEEN NOTED BY THE CHAIRMAN OF COMMITTE ON INTERIOR AND INSULAR AFFAIRS, THE HONORABLE MORRIS K. UDALL, ITS APPLICATION TO THE INSULAR AREAS HAS THE EFFECT OF CONTRADICTING LONG-ESTABLISHED INSULAR POLICY AND VIOLATING THE BASIS OF FEDERAL-INSULAR RELATIONSHIPS. FOR THESE REASONS, WE BELIEVE CONGRESS SIMPLY OVERLOOKED THE INSULAR AREAS IN THE COURSE OF THE DIFFICULT DEBATE OVER GRAMM-RUDMAN-HOLLINGS, AND WE WOULD HOPE, AND URGE, THAT CONGRESS WILL NOW ACT TO EXEMPT ALL INSULAR AREAS FROM THE EFFECTS OF GRAMM-RUDMAN-HOLLINGS.

WE WOULD ALSO LIKE TO CALL TO YOUR ATTENTION THE FACT THAT THE NEW MULTI-YEAR FUNDING AGREEMENT, UNLIKE THE ORIGINAL COVENANT SECTION 702 FUNDING, DOES NOT CONTAIN AN INFLATION ADJUSTMENT FACTOR. THIS IS JUST ONE MORE REASON WHY IT IS SO IMPORTANT THAT FULL FAITH AND CREDIT OF THE UNITED STATES GOVERNMENT BE PLEDGED TO THE SPECIFIC DOLLAR FIGURES CONTAINED IN THE NEW AGREEMENT AND THAT THOSE FUNDS BE PROTECTED FROM THE DEFICIT-CUTTING MEASURES THAT ARE, OF NECESSITY, BEING APPLIED TO THE FEDERAL GOVERNMENT.

IT IS ALSO NOTEWORTHY THAT THE NEW AGREEMENT PROVIDES A MAJOR CHANGE IN THE STRUCTURE OF FINANCIAL ASSISTANCE TO THE NORTHERN MARIANA ISLANDS. OVER 55 PERCENT OF THE TOTAL FUNDING TO BE PROVIDED IS FOR CAPITAL DEVELOPMENT, AND FUNDING FOR GOVERNMENT OPERATIONS DECLINES BY APPROXIMATELY ONE MILLION DOLLARS EACH YEAR. IN CONTRAST, NEARLY 60 PERCENT OF THE FUNDING PROVIDED IN THE INITIAL SEVEN YEARS OF COVENANT FUNDING WAS FOR GOVERNMENT

OPERATIONS. WE IN THE NORTHERN MARIANAS ARE PROUD OF THE PROGRESS WE HAVE MADE TOWARD SELF-SUPPORT AND VERY GRATEFUL TO THE UNITED STATES FOR YOUR ASSISTANCE IN OUR DEVELOPMENT.

IN ADDITION TO THE BASIC LEVEL OF GOVERNMENT OPERATIONS AND CAPITAL DEVELOPMENT ASSISTANCE ENCOMPASSED IN THE NEW MULTI-YEAR FUNDING AGREEMENT, WE HAVE A CRITICAL NEED FOR FUNDING FOR SOME VITAL AND SIGNIFICANT CAPITAL IMPROVEMENT PROJECTS THAT ARE PRESENTLY BEYOND THE CAPABILITY OF OUR GROWING, BUT LIMITED, LOCAL RESOURCES. FOR THE MOST PART, THESE NEEDS HAVE BEEN RECOGNIZED PREVIOUSLY BY THE CONGRESS IN THE FORM OF AUTHORIZATIONS FOR APPROPRIATIONS, AND WE SOLICIT THE UNDERSTANDING AND ASSISTANCE OF THIS COMMITTEE AND THE CONGRESS IN APPROPRIATING FUNDS FOR THESE PROJECTS THIS YEAR.

$5.8 MILLION FOR SAIPAN WATER PROJECTS. CONGRESS APPROPRIATED $2.85 MILLION FOR THIS PURPOSE LAST YEAR FROM THE $15 MILLION AUTHORIZED IN PUBLIC LAW 98-454. THIS PERMITTED US TO BEGIN MAKING IMPROVEMENTS BASED ON A PLAN DRAWN UP IN CLOSE COOPERATION WITH THE OFFICE OF TERRITORIAL AND INTERNATIONAL AFFAIRS AND THE BUREAU OF RECLAMATION. IT IS IMPORTANT THAT WE MOVE FORWARD RAPIDLY TO ENSURE THE PEOPLE OF THE COMMONWEALTH OF SAFE AND RELIABLE WATER SUPPLIES, AND $5.8 MILLION IS REQUIRED FOR THE SECOND PHASE OF IMPROVEMENTS THIS YEAR.

$7.0 MILLION FOR POWER SYSTEM IMPROVEMENTS. THIS REPRESENTS THE BALANCE OF THE AUTHORIZATION IN PUBLIC LAW 95-38 FOR

CONSTRUCTION OF PERMANENT POWER PLANTS FOR SAIPAN AND ROTA. THE POWER SITUATION ON ROTA TODAY IS OF CRISIS PROPORTIONS. INADEQUATE CAPACITY AND ANTIQUATED EQUIPMENT HAVE COMBINED TO PRODUCE FREQUENT AND PROLONGED OUTAGES, SEVERE POWER FLUCTUATIONS, AND EXTREMELY HIGH OPERATING AND MAINTENANCE COSTS. THE NET RESULT IS STIFLED ECONOMIC GROWTH, HINDERANCES TO THE IMPORTANT TOURISM INDUSTRY, HEALTH HAZARDS, INCONVENIENCE TO THE PEOPLE, AND BUSINESS LOSSES. ON SAIPAN, THE ADDITION OF A FIFTH GENERATOR IS NOW IMPERATIVE. THE SAIPAN POWER PLANT WAS CONSTRUCTED IN 1979 TO MEET IMMEDIATE NEEDS AND ACCOMODATE THE FUTURE ADDITION OF GENERATORS. DEMAND HAS GROWN CONSIDERABLY. AS ONE GENERATOR IS SHUT DOWN FOR MAINTENANCE, WE NOW MUST RELY ON EXPENSIVE, ANTIQUATED, UNRELIABLE BACKUP GENERATORS IN ORDER TO MEET DEMAND. THE RESULT HAS BEEN INCREASED PROBLEMS WITH VOLTAGE FLUCTUATIONS AND OUTAGES THAT ARE HURTING BUSINESSES, CAUSING PRODUCTIVITY LOSSES AND SOMETIMES DAMAGING EQUIPMENT. FURTHER, UPGRADING AND TYPHOON HARDENING OF THE POWER DISTRIBUTION SYSTEMS ON SAIPAN, TINIAN, AND ROTA IS AN URGENT NEED. EXPANSION OF THE SYSTEM IS NEEDED TO MEET THE ELECTRICAL POWER NEEDS OF NEW POPULATION CENTERS AND PERMIT CONTINUED INDUSTRIAL, COMMERCIAL, AND GENERAL ECONOMIC GROWTH. FREQUENT POWER OUTAGES AND VOLTAGE FLUCTUATIONS ARE RESULTING FROM OUR INADEQUATE DISTRIBUTION SYSTEM. THESE ARE VERY COSTLY TO BOTH THE GOVERNMENT, WHICH MUST MAKE FREQUENT EMERGENCY REPAIRS, AND POWER CONSUMERS, BOTH BUSINESS AND RESIDENTIAL, WHOSE EQUIPMENT AND APPLIANCES MAY

BE DAMAGED, FOOD SPOILED, AND LIVES DISRUPTED. FURTHER, A TYPHOON TODAY COULD WIPE OUT THE ENTIRE DISTRIBUTION SYSTEM. RESTORATION OF POWER COULD TAKE MONTHS AND REQUIRE THE EMERGENCY EXPENDITURE OF MILLIONS OF DOLLARS. THE ECONOMIC AND PERSONAL IMPACT WOULD BE DISASTEROUS. CONSEQUENTLY, TYPHOON HARDENING OF THE SYSTEM NEEDS TO BE UNDERTAKEN IMMEDIATELY.

$1.0 MILLION TO COMPLETE CONSTRUCTION OF THE COMMONWEALTH HEALTH CENTER, AND AN ADDITION $800,000 FOR START-UP COSTS.

$15.8 MILLION FOR SAIPAN PORTS AND HARBOR IMPROVEMENTS. IN MAY 1981, THE U.S. ARMY CORPS OF ENGINEERS COMPLETED ITS PRELIMINARY PORT AND HARBOR STUDY, AS MANDATED BY CONGRESS AND COMMISSIONED BY THE DEPARTMENT OF INTERIOR. THIS STUDY, ALONG WITH A COMPREHENSIVE DEVELOPMENT PLAN AND A DETAILED ENGINEERING REPORT PREPARED FOR THE COMMONWEALTH GOVERNMENT, CONFIRMS THE NEED FOR $46.5 MILLION IN IMPROVEMENTS TO THE SAIPAN PORT AND HARBOR. THE WORK WOULD BE COMPLETED IN THREE PHASES. CONSEQUENTLY, WE RESPECTFULLY REQUEST THAT THE FULL $46.5 MILLION, PLUS INFLATION ADJUSTMENTS, BE AUTHORIZED AND $15.6 MILLION APPROPRIATED THIS YEAR. TODAY MANY ECONOMIC DEVELOPMENT OPPORTUNITIES ARE BEING LOST DUE TO INSUFFICIENT HARBOR CAPACITIES AND DEFICIENCES IN CHANNEL NAVIGATABILITY, THE TURNING BASIN, AND ONSHORE CARGO HANDLING FACILITIES. EVERYDAY VESSLES BYPASS SAIPAN WHICH OTHERWISE COULD CALL AT OUR PORT.

$3.0 MILLION FOR AN AMERICAN MEMORIAL PARK. THESE FUNDS WERE

AUTHORIZED BY U.S. PUBLIC LAW 95-348 BUT NEVER APPROPRIATED. FRANKLY, IT SADDENS ME DEEPLY THAT NEARLY HALF A CENTURY HAS PASSED SINCE AMERICAN SOLDIERS SHED THEIR BLOOD TO LIBERATE OUR ISLANDS FROM THE JAPANESE, AND THERE IS STILL NO FITTING MEMORIAL IN OUR ISLANDS TO THOSE COURAGEOUS AND PATRIOTIC MEN AND WOMEN, MILITARY AND CIVILIAN, WHO DEDICATED AND SACRIFICED SO MUCH FOR THEIR COUNTRY AND THEIR PRINCIPLES. JAPAN AND KOREA HAVE ERECTED MEMORIALS; OUR AMERICAN MEMORIAL PARK IS DESIGNATED AND MAINTAINED, YET IT REMAINS JUST A PART, WITH LITTLE TO PAY TRIBUTE TO THE SIGNIFICANCE OF THE AMERICAN COMMITMENT, SACRIFICE, AND LOSSES.

FINANCIAL ASSISTANCE IS ONLY ONE ASPECT OF THE U.S. COMMITMENT EMBODIED IN THE COVENANT TO "ASSIST THE GNMI IN ITS EFFORTS TO ACHIEVE A PROGRESSIVELY HIGHER STANDARD OF LIVING FOR ITS PEOPLE AS PART OF THE AMERICAN ECONOMIC COMMUNITY AND TO DEVELOP THE ECONOMIC RESOURCES NEEDED TO MEET THE FINANCIAL RESPONSIBILITIES OF LOCAL SELF-GOVERNMENT." ALL THE FINANCIAL ASSISTANCE SO GENEROUSLY PROVIDED WILL COME TO AUGHT IF OTHER FEDERAL POLICIES AND LAWS STYMIE OUR CONTINUED GROWTH AND DEVELOPMENT.

THIS IS THE REASON WE IN THE NMI HAVE REPEATEDLY ATTEMPTED TO GET COLLATERAL ISSUES AFFECTING OUR RELATIONSHIP WITH THE UNITED STATES RESOLVED, AND THIS IS THE REASON WE ARE VERY DISTURBED THAT, IN SPITE OF OUR FORMAL REQUEST APPROXIMATELY NINE MONTHS AGO AND SEVERAL FOLLOW-UP EFFORTS, THE U.S. GOVERNMENT HAS FAILED TO APPOINT A SPECIAL REPRESENTATIVE PURSUANT TO COVENANT SECTION 902 TO DISCUSS THESE ISSUES.

OF CRITICAL IMPORTANCE ARE FUTURE CONTROL OF IMMIGRATION, APPLICATION OF THE FEDERAL TAX SYSTEM, TRADE POLICY, FISHERY AND SEABED RESOURCES.

WAR CLAIMS

AS YOU KNOW, THE NORTHERN MARIANA ISLANDS WERE RAVAGED BY WORLD WAR II. THE ENTIRE ECONOMIC BASE WAS WHOLELY AND COMPLETELY DESTROYED, ALONG WITH THE ENTIRE ADMINISTRATIVE APPARATUS AND MANY OF THE RECORDS OF BIRTHS, DEATHS, AND LAND OWNERSHIP. 14,224 AMERICANS, 28,811 JAPANESE AND MANY CHAMORROS AND CAROLINIANS WERE WOUNDED OR KILLED. AFTER THE INVASION, SAIPAN AND TINIAN WERE TURNED INTO HUGE MILITARY BASES. THE CIVILIAN POPULATION WAS INTERNED FOR ALMOST TWO YEARS.

A MICRONESIAN CLAIMS COMMISSION WAS ESTABLISHED BY THE UNITED STATES IN 1971 PURSUANT TO THE MICRONESIAN WAR CLAIMS ACT AND PROCEEDED TO DETERMINE NECESSARY, JUST AND FAIR WARTIME DAMAGES TO BE AWARDED. WHILE THE GREATER PORTION OF THESE CLAIMS HAS ALREADY BEEN PAID, SOME $24 MILLION IS STILL DUE UNDER TITLE I, WHICH INCLUDED CLAIMS FOR THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS.

UNDER TITLE I, JAPAN WAS TO PAY 50% OF THE CLAIMS. HOWEVER, AN AGREEMENT SIGNED IN 1969 BY THE UNITED STATES AND JAPAN FREED JAPAN OF ANY FUTURE LIABILITY FOR REPARATIONS. NEVERTHELESS, THE GOVERNMENT OF JAPAN HAS PROVIDED CONSIDERABLE AID TO MICRONESIA IN THE FORM OF GRANTS AND IN-KIND ASSISTANCE. CERTIFICATION BY THE UNITED STATES THAT THIS JAPANESE DEVELOPMENT ASSISTANCE TO THE TRUST TERRITORY OF THE PACIFIC ISLANDS CONSTITUTES THE REQUIRED JAPANESE CONTRIBUTION IN SETTLEMENT OF THESE CLAIMS WOULD PAVE THE WAY FOR THE UNITED STATES TO PAY THE REMAINING BALANCE OF THIS LONG-STANDING

OBLIGATION.

THE ISSUE OF WAR CLAIMS IS A MATTER OF GREAT SENSITIVITY AND CONCERN TO THE PEOPLE OF THE NORTHERN MARIANAS AND ALL OF MICRONESIA. OUR PEOPLE SUFFERED THE CONSEQUENCES OF A WAR IN WHICH THEY WERE HELPLESS AND INNOCENT VICTIMS. WE ARE MERELY ASKING FOR FAIR COMPENSATION FOR THE SEVERE ECONOMIC LOSSES, INCLUDING LIVES, WE SUFFERED OVER FORTY YEARS AGO. IT IS TIME TO BRING THIS MATTER TO A CLOSE.

THE 1969 AGREEMENT WITH JAPAN WAS MADE WITHOUT ANY CONSULTATION WHATSOEVER WITH REPRESENTATIVES FROM THE MARIANAS OR OTHER MICRONESIAN COMMUNITIES. AS A RESULT OF THIS UNILATERAL ACTION BY THE U.S., THE PEOPLE OF THE MARIANAS AND MICRONESIA CAN ONLY FEEL THAT THE UNITED STATES HAS ASSUMED FULL RESPONSIBILITY FOR SETTLEMENT OF THE REMAINING WAR CLAIMS. THE REQUIRED CERTIFICATION BY THE U.S. SEEMS TO US TO BE A SIMPLE MATTER. BUT TO US, IT IS ONLY A TECHNICAL, LEGAL CONCERN OF THE UNITED STATES. WE URGE YOUR COMMITTEE AND THE CONGRESS TO FULFILL ITS MORAL DUTY AND TAKE WHATEVER STEPS ARE NECESSARY TO PAY IN FULL THE REMAINING WAR CLAIMS DURING FY 1986.

CONCLUSION

YOU, MR. CHAIRMAN, AND YOUR DISTINGUISHED COMMITTEE AND THE UNITED STATES GOVERNMENT HAVE COLLECTIVELY BEEN VERY HELPFUL AND UNDERSTANDING IN TERMS OF OUR NEEDS FROM YEAR TO YEAR. IN ADDITION TO THE SEVEN YEARS OF GUARANTEED FUNDING FOR OPERATIONS, CAPITAL IMPROVEMENTS, AND ECONOMIC DEVELOPMENT, WE HAVE BEEN ASSISTED GREATLY BY FUNDING FOR SUCH CRITICALLY IMPORTANT PROJECTS AS A NEW POWER

PLANT, HEALTH FACILITIES, AND WATER SYSTEM IMPROVEMENTS, AMONG OTHER THINGS. THE PEOPLE AND GOVERNMENT OF THE NORTHERN MARIANA ISLANDS WOULD LIKE THE GOVERNMENT OF THE UNITED STATES, AND YOUR COMMITTEE IN PARTICULAR, TO KNOW WE ARE DEEPLY APPRECIATIVE OF THE CONTINUING GOOD WILL, SUPPORT, AND HELP OVER THE YEARS. YOUR CONSIDERATE AND BIPARTISAN ATTENTION TO OUR SPECIAL FINANCIAL NEEDS HAS MEANT A LOT TO THE PEOPLE OF THE NORTHERN MARIANA ISLANDS AND OUR ECONOMIC AND SOCIAL PROGRESS.

TREMENDOUS PROGRESS HAS BEEN MADE, BUT MUCH REMAINS TO BE DONE. CONSEQUENTLY, WE HUMBLY REQUEST YOUR FAVORABLE CONSIDERATION OF THE BUDGETARY NEEDS WE HAVE PRESENTED HERE TODAY AND FOR A FUTURE PERIOD OF MULTI-YEAR FINANCIAL ASSISTANCE BASED UPON THE RESULTS OF OUR NEGOTIATIONS.

ONCE AGAIN, THANK YOU FOR THE OPPORTUNITY TO TESTIFY BEFORE YOUR COMMITTEE.

TUESDAY, APRIL 29, 1986.

MARSHALL ISLANDS

WITNESSES

ALAN FOWLER, SECRETARY OF FINANCE
OSCAR DEBRUM, CHIEF SECRETARY
JIM LEY, PROGRAM AND BUDGET OFFICER
CARL INGRAM, ADVISOR TO THE PRESIDENT

SEQUESTRATIONS OF MARSHALL ISLANDS OPERATIONS

Mr. YATES. Now we have Mr. DeBrum.

Mr. DeBrum, your statement will be made part of the record.

Good to see you again. How are you getting along with Mr. Montoya?

Mr. DEBRUM. I thought we were getting along real well, sir.

Mr. YATES. Are you short of any funding?

Mr. DEBRUM. Yes, we are.

Mr. YATES. Has Gramm-Rudman hit you, or had any effect?

Mr. DEBRUM. Yes. Right in the face, sir.

Mr. YATES. How bad a shot did you take?

Mr. DEBRUM. Well, on the operation side of it, I understand approximately $500,000. On the CIP, up to four percent of that in CIP funding. So we, like other governments, were affected by it, sir.

Mr. YATES. Do you want them to absorb these, too, Mr. Montoya?

Mr. MONTOYA. They will have it made up when the Compact funds are appropriated, Mr. Chairman. We provided some interim funds for them in 1986, based on Compact levels. Gramm-Rudman came into effect and caused the 4.3 percent reduction. Now when the Compact comes in retroactively, that cut will already have been taken out. So it will be absorbed.

Mr. YATES. It will be absorbed?

Mr. MONTOYA. Yes.

Mr. YATES. Then what problems do you have, Mr. DeBrum, that you ought to tell us about, if any?

Mr. DEBRUM. A basic question, Mr. Chairman, is what happens if the Compact is not approved retroactively. Then we will be absorbing all this within our own funds.

Mr. YATES. How do you meet that, Mr. Montoya?

Mr. MONTOYA. We anticipate it will be funded retroactively. That is the request the administration has made, back to October of 1985.

Mr. YATES. He says don't worry about it, you are taken care of.

Mr. DEBRUM. It is good to be assured of that, sir.

Mr. YATES. All right. He assures you. As a matter of fact, he will personally guarantee it.

Mr. DEBRUM. That is what I was going to ask- if the Secretary would guarantee that.

Mr. MONTOYA. I point out that is under Mrs. McCoy's jurisdiction.

Mr. DEBRUM. If we have a guarantee, we will be happy.

Mr. YATES. All right. You have his guarantee.

CONGRESSIONAL CHANGES TO COMPACT

All right. Does that take care of everything you want to tell us?

Mr. DEBRUM. No, sir. Mr. Chairman, the thrust of our statement is that we look to the United States Government to honor the provisions of the Compact Act, Public Law 99-239. As you are aware, we notice that the administration has not requested funding for several important provisions of the Compact Act. We ask that funding for these projects be appropriated.

Mr. YATES. How much money is involved?

Mr. LEY. The figure for the add-ons, Mr. Chairman, is approximately $105 million to $106 million, as the Assistant Secretary indicated earlier this morning.

Mr. YATES. $105 million to $106 million.

Mr. MONTOYA. My position has not changed because of lunch, Mr. Chairman.

Mr. YATES. It was not a very good lunch, I take it.

Mr. MONTOYA. The amount that was voted on was the Compact. That went through the plebiscite. It was approved. It was accepted. It was negotiated and then the second phase was, it came up here, was introduced in Congress. There were a number of authorizations added and we don't accept those authorizations.

Mr. YATES. That is the same thing we had this morning, isn't it?

Mr. MONTOYA. As I said, lunch didn't change that.

Mr. DEBRUM. Mr. Chairman?

Mr. YATES. Mr. DeBrum.

Mr. DEBRUM. Thank you, sir. One of the important provisions of the Compact that I thought we lost was the provisions on tax and trade, for which the United States Government provided compensation packages.

When someone speaks of compensation packages, you think someone means you will be given something in return for something you lost. None of the compensation package funding has been requested for by the administration and I would like to turn to my attorney who had personally negotiated the terms with various Members of Congress and reach an understanding that the compensation packages were to be given to us as part of the total package of the compensation, sir.

With your permission, may I ask Mr. Ingram to echo that further?

Mr. YATES. Sure.

Mr. INGRAM. During the process of negotiating a resolution to the amendments or the tax and trade provisions, we had a direct compensation package which provided to the government of the Marshall Islands $10 million of full faith and credit funding of certain Federal programs. We weren't satisfied with that because we believed that some of the tax and trade provisions alone would provide us more than 30-some-odd million dollars worth of value over that period of time.

In our discussions, we were led to believe by various members of the administration, that we ought to accept this package because if you look at the additional add-ons that Mr. Seiberlings' committee had approved, the total package would be a very significant one.

We would get more than the value of the lost trade and tax provisions.

We took that back home and the people of the Marshall Islands, through their legislature, approved the Compact as amended by the United States Congress based upon that concept. That is the basis upon which we are prepared to go forward with the Compact and we have indicated that to the U.S. Administration.

Mr. YATES. What has been their reaction?

Mr. INGRAM. They have not reacted formally to our resolution.

Mr. YATES. You saw how Mr. Montoya reacted today.

Mr. INGRAM. Yes.

Mr. YATES. Is that an informal or formal reaction?

Mr. INGRAM. Well, obviously there is some backsliding but that occurs.

Mr. YATES. You expect that.

Mr. INGRAM. Let us say we haven't grown to expect it, but when it occurs, we feel that what we have to do is then seek other avenues and approaches. That is why we are coming to you to seek a remedy of the situation.

Mr. YATES. I am the other approach, right?

[Recess.]

FEDERAL PROGRAMS

Mr. YATES. Have we taken care of your matter yet?

Mr. DEBRUM. Not all of them, but I believe we are beginning to have a dialogue, sir. Can we continue, sir?

Mr. YATES. Please do.

Mr. DEBRUM. Thank you, sir.

Mr. Chairman, one of the areas in which we would like to ask for assistance is in the Federal programs. Now, some of the Federal programs were to be reduced gradually within the first three years, such as Federal education programs.

Mr. YATES. Right.

Mr. DEBRUM. This is not the case this year. We were informed that Public Law 99-178, which was passed by the United States Congress, pre-empted the only assistance we would have been entitled to under the Federal programs. I want to give my staff man two minutes to elaborate on that point.

Mr. YATES. All right. Your staff has two minutes.

Mr. LEY. Mr. Chairman, we estimate that between the passage of 99-178 and October 1st, a date we hope the Compact will take effect, that funding for a number of programs will be terminated. Most notably are the Head Start and the Job Training Partnership Act programs.

We estimate that we will lose $390,000 in funding for Head Start during this period and $205,000 for the Job Training Partnership Act. There are other programs that will also terminate between now and that time, but for these two programs, funding has already been cut off.

Mr. YATES. Mr. Montoya?

Mr. MONTOYA. As I mentioned this morning, Mr. Chairman, we have been working with the governments on the possibility of advancing them their fourth quarter allocation to make up for the hiatus of Federal programs. We have been working with the committees to restore these funds for 1986.

Mr. Fowler was in to see me last week, and we discussed this issue. I met with the FSM about three or four weeks ago on the same issue.

Mr. YATES. When will you get an answer?

Mr. MONTOYA. I believe their appropriation bill is pending and we have been advised that language to restore the monies will be put in in the supplemental.

Mr. YATES. You are talking about the supplemental?

Mr. MONTOYA. Yes.

Mr. YATES. All right. We will see what we can do if we can ever get the supplemental through. We will take care of it apparently.

Mr. DEBRUM. Mr. Chairman, on the advance of fourth quarter funds, it may sound good in theory, but in actuality, we may have problems. Here is an expert on my staff that can comment on that. It is a good thought, but there is a potential problem, sir.

Mr. YATES. What is the potential problem?

Mr. FOWLER. The potential problem is that if we advance fourth quarter funds to cover these programs, then that funding has been taken away from us. We will not have any operational funds for the fourth quarter unless the supplemental appropriation is passed.

We have had information from both Houses of Congress that there is a possibility that the supplemental bill will not pass.

Mr. YATES. There is a possibility it will be vetoed primarily because of an amendment I put in, I think.

Mr. FOWLER. If we run into this situation, Mr. Chairman, we are going to be out of funds. What do we do if we advance fourth quarter funds? Do we go back and see Mr. Montoya?

Mr. YATES. I suspect even if the bill is vetoed, there are so many essential provisions in it relating to funding that some form of it will be passed.

I have a very strong confidence that your provision will be taken care of. I don't know about when, but—this is ~~the~~ first supplemental. I would guess it should go into the House again next week and we should be hearing about it—it ought to go through the House and the Senate within about 30 days, I would think.

CONGRESSIONAL CHANGES TO COMPACT

Let's hope the President does not veto it. All right. That is it, Mr. DeBrum. We have taken care of you?

Mr. DEBRUM. Not quite, sir.

Mr. YATES. What is missing?

Mr. DEBRUM. Mr. Chairman, there were some past U.S. commitments.

Mr. YATES. What about those, the past year commitments?

Mr. MONTOYA. I will yield to Mr. Berg on that.

The commitment that we do accept is the issue of the capitals that we discussed this morning as well. The other point that was raised was the tax and trade compensation. We have accepted that and our budget provides $10 million for the Marshalls to make up the difference in those anticipated revenues that they would lose.

Mr. YATES. All right?

Mr. DeBrum. Mr. Chairman, there were also commitments for medical referrals and others.

Mr. Yates. What about that?

Mr. Montoya. Mr. Berg.

Mr. Berg. Picking up on the points that Mr. DeBrum made, the medical referral matter and what others there might be included in the list are the subject of the additional authorizations that Congress added to the bill.

Mr. Yates. We are getting an opinion on that, Mr. DeBrum, as to whether or not those are entitlements, in which case, I think, your funds will be assured, or whether they are mere authorizations, in which case the Appropriations Committee would have to act on it. My own guess based on what the Committee on the Interior has said in its report is it was intended to be an entitlement. We will be getting an opinion from the Solicitor General and I assume that if the Solicitor General finds them to be entitlements, that Mr. Montoya will go along with that, okay?

Mr. DeBrum. Thank you, sir.

The last one is the Bikinian support program. I know that they are here today.

Mr. Yates. They are here and they are going to speak.

Mr. DeBrum. We would like to ask for your sympathetic consideration.

Mr. Yates. We always give them our sympathetic consideration, but I think they want more than that.

Mr. DeBrum. Thank you, sir.

[The statement of Mr. DeBrum follows:]

REPUBLIC OF THE MARSHALL ISLANDS
MAJURO, MARSHALL ISLANDS 96960 CABLE: REPMAR

STATEMENT OF THE HONORABLE OSCAR DE BRUM

Chief Secretary of the Government
of the
Republic of the Marshall Islands

Submitted to the
House of Representitives
Committee on Appropriations
Subcommittee on Interior and Insular Affairs
in respect to the FY 1987 Budget

April 1986

Mr. Chairman and distinguished members of this Committee:

On behalf of President Kabua and the people of the Republic of the Marshall Islands, I wish to thank you for the opportunity to submit testimony on the fiscal year 1987 United States budget as it relates to the Republic of the Marshall Islands.

The United States Administration is requesting supplemental funding for fiscal year 1986 and funding for fiscal year 1987 to implement the first two years of the United States Compact Act, PL 99-239. I note, however, that the Administration's request does not include funding for certain items authorized in the United States Compact Act. With this important reservation, I would endorse the Administration's request.

On 18 February 1986, the Nitijela, the national legislature of the Marshall Islands, passed Resolution Number 62, which gave formal approval to the Compact Act. This resolution, which is attached to my testimony, states the policy of the Government of the Marshall Islands with respect to the Compact and the funding authorized and appropriated pursuant to the Compact.

Intoductory Remarks

Before I discuss the 1987 budget, I wish to convey to the Committee the gratitude of the people of the Marshall Islands for funds appropriated in the fiscal year 1986 budget for the Marshall Islands. In addition to the Administrtation's request, these appropriations included additional funds for the Jaluit Dock project, the Majuro Water Supply project, $1.7 million for the design of a base camp at Eneu Island in Bikini Atoll and continuation of the Enewetak support program.

Financial and Economic Status

Mr. Chairman, I would like to make a brief report on the financial and economic status of the Marshall Islands.

My government's financial status continues to improve. I am happy to report that our unaudited fiscal year 1985 financial statements showed an operational surplus; this was the second consecutive year in which a surplus has occurred. In addition, the trend toward revenue self-sufficiency has accelerated. In 1985, domestic revenues were $13.1 million, a 14.9 percent increase above 1984 revenues. Domestic revenues have increased from 43 percent of all operational revenues in fiscal year 1981 to over 53 percent in fiscal year 1985. 1985 domestic revenues were $1.7 million more than revenue from the United States Basic Grant.

Our new cash management system, developed through a technical assistance grant from the Department of the Interior, has yielded dividends in its first year of operation. Interest income has increased from zero to $163,000. We appreciate such technical assistance and would request that this committee continue to appropriate funds for this purpose. The technical assistance program has been the most effective utilization of United States dollars in the Pacific Basin.

Because of delays in the United States Compact approval process, my government has found it necessary to re-schedule its long-term debt. In December 1985, partial payments totalling $2.7 million were made to our creditors and re-scheduling agreements were concluded with each of them. These agreements called for resumption of previously scheduled debt service payments in April 1986. The four month delay, from December to April, has cost my government approximately $300,000 in additional interest expenses. Because the Compact is still not in effect, the interest expenses will become even greater.

Mr. Chairman, we understand the complexities of the United States Compact approval process and appreciate the fact that Congress exercised its perogative to carefully review agreements negotiated by the executive branch. In dealing with our long-term debt creditors, however, we have acted on the good faith representations of the United States Administration as to the date of Compact implementation. Time and again, we have been disappointed by the failure of the Administration to meet its timetables. As a result, we have had to engage in costly re-scheduling of our debt.

I am pleased to tell you that we are close to achieving a long range solution which will stabilize our debt service. My government is in the process of issuing $75 million in general obligation bonds. $60 million of the proceeds will be used to retire all existing long-term debt. The remainder will be used to establish long-term investment and reserve funds to finance future development projects.

Mr. Chairman, the bond project provides important benefits to the people of the Marshall Islands. In consolidating our long-term debt, the bond project will achieve a lower overall interest rate, will lengthen principal maturity, and will achieve a more stable and predictable debt service structure. At present, some of our long-term debt is denominated in currencies other than the United States dollar and has variable interest rates. This structure makes it difficult to forecast debt service requirements. By contrast, the bonds will be denominated in United States dollars at a fixed interest rate. Attached to my statement is a fact sheet which more fully explains the bond project.

The economic situation in the Marshall Islands is mixed. On the positive side, public and private sector capital investment remain strong. Projects funded through the Capital Improvement Projects Program are proceeding as planned. A report on the status of these projects is attached to my statement. President Kabua has declared 1986 to be Outer Island Development Year. Emphasis will be placed on capital investment which develops the natural resource potential of our outer islands.

On the negative side, because of lower prices on the world market, copra production and prices in the Marshall Islands have been depressed. In 1985, 4,302 tons of copra were produced, a decline of 28 percent in comparison to the average annual production from 1978 to 1984. The outer island price for copra is currently $120 per ton, a sharp decrease from the annual average of $199 per ton for the period 1981 to 1984.

In addition, two other economic development projects have met with disappointing results in 1985. Fuel sales by the Marshalls Energy Corporation have been much lower than anticipated. Implementation of a fisheries project funded through the Trade Development Program has been delayed.

Despite these setbacks, the economy of the Marshall Islands is growing rapidly and shows great promise for the future.

Health

Mr. Chairman, I would like to make a brief report on the status of efforts to improve health service programs in the Marshall Islands. The new Majuro hospital, constructed through a Congressional appropriation, will begin operation in a matter of days. My government has contracted with Mercy International Health Services to assist us in making the transition to the new facility. This group is currently on-site and is training our health services staff on hospital maintenance, nursing procedures, and the operation of new equipment. My government has greatly increased the operations and maintenance budgets for the new hospital in order to obtain full benefit from the hospital and to ensure its continued serviceability.

Our outer island dispensary program has been expanded. In fiscal year 1986, medical teams will visit each of the 69 dispensary sites at least three times, radio communications will be established to link the dispensaries with the Majuro hospital, all health assistants will receive intensive re-training, and each dispensary will be provided with a basic complement of equipment and pharmaceuticals. The program objectives for the current year are to achieve a 90 percent immunization rate for all children in the Marshall Islands, provide a physical examination to all infants within the first six months of life, and ensure that all pregnant women have at least one prenatal examination.

Mr. Chairman, I am aware of the difficulties which the United States has encountered in implementing the Four Atoll Health Care program for certain Marshallese affected by the Nuclear Testing Program. While I wish to assure you that we are ready to assist the United States to make this program fully operational, you should be aware that we intend to use the funds that are available under section 1(a) of article II of the Section 177 Agreement to provide medical services to Marshallese determined to have been affected by the nuclear testing program, regardless of their "home island".

Fiscal Year 1987 Budget

For fiscal year 1987, the Administration is requesting $40.6 million in permanent indefinite appropriations and program grant assistance for the Marshall Islands.

Mr. Chairman, when the Nitijela approved the Compact, it did so with the understanding that funding for the programs provided in the Compact would be appropriated and made available on a timely basis. As I noted above, the Administration's request does not include funding for certain items authorized in the United States Compact Act.

We are aware of the budget constraints which the United States is experiencing. The Government of the Marshall Islands has been in the same situation before and has had to adopt painful measures in order to balance its budget. With due recognition of the need for budget constraints, I believe that the Congress did not intend that the provisions of the Compact Act would be selectively applied. A selective approach to the implementation of the Compact might constitute a material breach of the agreement.

The Government of the Marshall Islands endorses the budget recommendations made by the House Interior and Insular Affairs

Subcommittee on Public Lands with respect to the fiscal year 1987 Compact budget. In accordance with the recommendations of Chairman Seiberling's Subcommittee, we request that funding for the following items be added to the fiscal year 1987 budget in order to fully implement the Compact:

(1) medical referral debts; $7.0 million to be shared by the Republic of the Marshall Islands and the Federated States of Miconesia- Subsection 105(d);

(2) Federal grant programs in the area of education; $13.0 million to be shared by the Republic of the Marshall Islands and the Federated States of Micronesia- Subsection 105(i);

(3) Enjebi Community Trust Fund; $10.0 million; - Subsection 103(k);

(4) Department of Energy Radiological Health Care Program for Rongelap and Utrik; $2.0 million - Subsection 103(h);

(5) USDA Agricultural and Food Programs for the peoples of Bikini and Enewetak; $1.8 million - Subsection 103(h);

(6) Bikini Atoll Clean-up; $8.0 million in start-up funds for the base camp on Eneu Island - Subsection 103(l);

(7) prior service benefits; $0.3 million - Subsection 105(m); and,

(8) Indefinite Land Use Payments; $2.0 million - Subsection 105(n).

In addition to the items authorized in PL 99-239, there are other items which we hold to be unfinished business of the Trusteeship. The items are:

(1) construction of a new capitol, $2.6 million;

(2) construction of the College of Micronesia Nursing School, $3.3 million; and.

(3) funding for development projects in Jaluit ($13.0 million), Enewetak ($1.5 million); and Kwajalein Atoll infastructure projects under the direction of the Kwajalein Atoll Development Authority, ($17.7 million).

I would like to furnish additional detail on some of these requests.

Medical Referral Liabilities Mr. Chairman, the Compact Act approved by Congress authorizes funds for medical referral debts incurred by the governments of the Republic of the Marshall Islands and the Federated States of Micronesia prior to 1 September 1985. The Administration has not requested funds to implement this provision of the Compact. I would like to draw this oversight to your attention and to explain my government's position with respect to this provision of the Compact Act.

We hold the following:

1. Subsection 105(d) should apply to all liabilities incurred prior to 1 September 1985, including those which have been paid; and,

2. funding should be appropriated for these liabilities in the fiscal year 1987 budget.

As part of my Government's deficit elimination program, we have undertaken the difficult task of paying long-outstanding medical referral debts, including the payment of $100,000 per month to Tripler Army Medical Center. Since July 1984, we have paid approximately $1.1 million to Tripler for prior year bills and have reduced our liabilities to the medical center from $2.6 million to $1.5 million. These payments have been made at the expense of other important programs, including health services programs. We ask that this dilgence on the part of the Marshall Islands be recognized and funds be appropriated for the full amount of $2.6 million that was owed to Tripler as of July 1984.

Extension of Federal Grant Programs. In recent years, the Marshall Islands has benefitted from thirty or more federal grant programs, both large and small. Federal funding has paid for nearly 100 percent of the primary health care services in our country. Over half the budget of our school system is funded by the Education Consolidation and Improvement Act. The Hot Lunch program feeds school children throughout the nation and special USDA food programs help feed the families who were relocated from Bikini and Enewetak for the bomb tests and the inhabitants of several islands that were devastated by typhoons. These have been the major federal grant programs. We have also had a variety of other, more modest federal programs--very much like the federal programs that operate in your own districts. A listing of the current programs is attached to my statement.

Mr. Chairman, it has been the understanding of my government that most of the federal programs would be phased out as the Compact began to be implemented. Some of the programs that will no longer receive direct assistance when the Compact goes into effect will continue to be funded by a combination of grant assistance from the United States and internally generated revenues; some will be funded by an annual block grant from the United States for education and health care. We recognize that some of the programs will be reduced in scope. Some will probably be discontinued altogether. However, with the continuation of the services and programs of the Public Health Service and the National Health Service Corps as provided in the Compact Act, we are hopeful that our programs for preventive health care will continue to improve.

Mr. Chairman, as you know, there has been a great deal of uncertainty with respect to the date when implementation of the Compact will begin. You will appreciate that this uncertainty has made it difficult for the agencies of my government to carry out an orderly transition from the present federal grant structure to the funding arrangements provided in the Compact. Quite simply, we did not know-- and still do not know- when the Compact is to take effect. I note that this uncertainty exists not only with my government, but also in the United States Government. Some federal agencies have not been able to tell us when their programs in the Marshall Islands will run out of funds.

Several federal agencies have already forwarded their final allotments to the Marshall Islands. Among the largest programs to run out of funds have been the Area Agency on Aging, the Headstart program, and programs under the Job Training Partnership Act. These disruptions in programs have been allowed, even though funding for the Compact has yet to be appropriated and several agreements between our two countries relating to implementation of the Compact have yet to be concluded.

The premature and abrupt termination of federal grant programs is of great concern to my government. To facilitate the transition, we ask that the United States honor the provisions of Title I of the Compact Act relating to federal grant programs. The Act made assurances that the freely associated states would continue to participate in such programs as the Legal Services Corporation, Public Health Services, and the National Health Services Corps. The Compact Act assured us that certain technical assistance would be provided to the Government of the

Marshall Islands. To offset the loss of tax and trade benefits originally negotiated, the Compact Act granted the Marshall Islands the programs and services of several federal agencies that will help us with manpower training and economic development. As I mentioned earlier, one of these compensatory programs--the Job Partnership Training Act, that has operated successfully in the Marshall Islands for the past three years - may be disrupted during the transitional period.

The Compact Act also provides a three-year transitional period during which federal educational programs will be decreased and withdrawn. The transitional funds for education do not appear in the Administration's budget submission. I urge you in the strongest terms to reinstate educational assistance in the budget. Attached to my statement is a summary of the impact that the sudden loss of transitional funds would have on our schools. For the present fiscal year, federal educational grants pay for 65 percent of the educational services in the Marshall Islands. The transitional funding is absolutely necessary for our schools to operate without interruption of service.

Support for Populations Affected by Bomb Tests Mr. Chairman, there are four programs of funding assistance to the people of the radiation-affected islands which your government authorized in the Compact Act and yet are not included in the Administration's budget request. I shall speak of these programs one-by-one.

Enjebi Community Trust Fund. The island of Enjebi in the northern portion of Enewetak Atoll was the target of many of the nuclear tests in the 1940s and 1950s. This area of the atoll was not included in the clean-up of Enewetak in the late 1970s and, as a consequence, the villagers who were removed from Enjebi and their descendants have had to reside elsewhere, and presently live in the main village of Enewetak. The United States has committed itself of the clean-up and resettlement of Enjebi and the nearby islands. In accordance with the United States Compact Act, we ask that your government monitor the radiation at Enjebi and establish a trust fund in the amount of $10.0 million to enable the people of Enjebi to re-establish their own village on its former site, if it is found to be safe, or elsewhere, if need be.

Radiological Programs--Utrik and Rongelap. As spelled out in the Compact Act, the United States would continue, at the request of my government, to provide special medical care and logistical support to the remaining 174 residents of Rongelap and Utrik atolls who were exposed to radioactive fallout that resulted from the 1954 "Bravo" test. We ask you to honor our request that the Department of Energy Radiological Health Care Program continue for the first eleven years of the Compact and, at this time, we request an appropriation of $2.0 million to provide these services for fiscal year 1987.

USDA Agricultural and Food Programs--Bikini and Enewetak. Under the United States Compact Act, the Government of the United States, for the first five years that the Compact is in effect, is to provide, at the request of my government, food support to the people of Bikini and Enewetak. For fiscal year 1987, we request that the amount of $1.8 million be appropriated for this purpose. This funding will enable the continuation of an ongoing agricultural planting and maintenance program on Enewetak and a continuation of food programs for the people of both atolls.

Bikini Atoll Clean-up. The United States has accepted responsibility for restoring Bikini Atoll to a safely habitable condition. My government requests that the amount of $8.0 million be appropriated in fiscal year 1987 so that a base camp can be established on Eneu Island, a habitable island within Bikini atoll, and that initial logistical support be given for the clean-up process.

Capitol. In previous years, the Administration has requested funding for construction of Micronesian capitols. Congress has decided to defer funding for the Marshall Islands' capitol, noting that higher priorities existed. The Administration's fiscal year 1987 request for the Marshall Islands does not include funds for the Republic's capitol.

Mr. Chairman, we concur that there have been, and still are, many other construction projects which command a high priority.

But time is running short for the Trusteeship and we believe that it is now proper for the United States to honor the commitment it made in Secretarial Order 2918 to construct the capitols. The design of the capitol building for the Marshall Islands is complete, and it is estimated that construction costs will be $10.0 million. Given the fiscal constraints which your government faces, we are requesting a contribution from the United States of $2.6 million, or approximately 26 percent of the project's cost.

College of Micronesia Nursing School. The College of Micronesia Nursing School is in danger of discontinuing operation and, thus, depriving the region of skilled health personnel who are critically needed. The Saipan facility will close at the end of the 1985-1986 school year. If the Nursing School is to accept students for September 1986, an alternative site must be arranged very soon.

The Government of the Marshall Islands has offered to make the old Majuro hospital available to the College for use as a temporary Nursing School until permanent facilities can be constructed. We have requested that Special Operations and Maintenance funds be allocated to remodel the old hospital so that it can be used as an educational facility. We seek your support for this request and for our request for $3.3 million to construct a permanent Nursing School.

The presidents of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands endorsed the construction of such a nursing school in their 5 October 1983 Saipan Accords.

The Nursing School will be an integrated medical learning facility to fulfill the demand for qualified nursing personnel in Micronesia. The school will have facilities to train approximately 60 students, with living accomodations for 50 students and for 10 faculty and staff. I believe that completion of the Nursing School is essential to our effort to train enough nurses, including nurses for the Intensive Care Unit and the Neo-Natal Unit of the new Majuro hospital.

The site designated and already leased for the Nursing School is directly adjacent to the new Majuro hospital, which, with 80 beds and nearly 60,000 square feet of space, has the potential of becoming the most sophisticated and best equipped hospital in the region. The school will operate in close cooperation with the hospital, utilizing its facilities, equipment, and staff for practical training programs. The new facilities will be of institution quality construction with special emphasis on minimizing the harsh and corrosive effects of the tropical environment. A copy of the specifications for the project are attached. This project will cost approximately $3.3 million.

Extension of Technical Assistance Programs. Subsection 105(l) of the Compact Act makes certain non-reimbursable technical assistance programs available to the Marshall Islands during the Compact period. We are appreciative of this clause and of the technical assistance which we have received through the Office of Territorial and International Affairs in the past. It has enabled us to improve our systems for financial management, planning, and communication, develop civil aviation regulations, promulgate off-shore banking regulations, establish a patient monitoring system for the medical referral program, and provide training to police officers.

Mr. Chairman, as our responsibilities increase with self-government, so does the need for technical assistance. Technical assistance will become even more important as federal grant programs are terminated and our government begins to provide some of these services on its own. We request that the Committee include a provision in the Appropriation Bill which directs the Department of the Interior to provide technical assistance to the freely associated states under the same conditions and at the same levels as has been provided in the past.

At the request of Assistant Secretary Montoya, we have developed a techncial assistance program request for fiscal year 1986. Many of our requests, which are outlined in an attached statement, relate to new responsibilities which our government has recently assumed or will shortly be assuming. Our program includes projects to continue the hospital transition project, implement programs related to the Compact, hire a statistician, develop environmental protection regulations, and retain a physical planner, city management advisor, telecommunications advisor, and census manager.

Mr. Chairman, we are aware of the desire on the part of the United States Government to make available technical assistance in the area of law enforcement. My government looks forward to implementation of a comprehensive technical assistance agreement with the United States in this area.

Developmental Projects. Several communities in the Marshall Islands have requested supplemental funding for developmental projects. I wish to summarize the scope of these projects and present them to you with the endorsement of my government.

KADA Infrastructure Projects. The Republic's National Development Plan includes $116.2 million for the period 1985-1989 for projects to improve the economy and living conditions in Kwajalein Atoll. An additional $17.7 million is requested at this time to begin their implementation.

These projects are listed in an attached statement. Under the Compact and its subsidiary military use agreement, an additional $71.1 million will be available for these projects. The most critical projects are the desalinization unit, fuel farm, a third generating unit for the new power plant, and a sanitary landfill.

Jaluit Atoll Projects. We are requesting $13.0 million to begin the development of Jaluit Atoll, which is the third most populous community in the Marshall Islands. At present, Jaluit lacks infrastructure necessary to initiate development of its agricultural and marine resources. Attached is a detailed description of the economic investment projects which would make possible this development.

Enewetak Dock. The amount of $1.5 million is requested for extension of the dock at Enewetak This project is necessary since the temporary docking facility constructed by the contractor for the clean-up at Enewetak in the late 1970s is located in a position that requires regular dredging to remove an accumulated build-up of sand and silt.

Conclusion

Mr. Chairman, before finishing my remarks, I would like to reiterate the difficulties that my Government is facing during this transitional stage in the relations between our two nations. We in the Marshall Islands find ourselves in a situation in which federal grant programs are suddenly stopping: the Headstart program, Aging program, community action agency, and Job Training Partnership Act program all technically ended on March 31. The project manager for the Aging program learned that his agency would receive no further funding seven days before the termination date. The administering agency for the JTPA program was informed of the pending closure on

March 31, the last day of the program. We are bracing ourselves for other abrupt shutdowns of federal programs. The shutdowns are abrupt because no one has given us a timetable for their closure. The suspensions of federal programs are taking place, even though the Compact has yet to be implemented. It is too late for us to speak of an orderly transition period. To help us make the best of this situation, we ask that you repeal the provision of P.L. 99-178 that froze funding for health, education, and labor programs in the Marshall Islands. We ask that funding that had been approved for the Marshall Islands for fiscal year 1986 be released so that these programs may continue uninterrupted- or be resumed--at least until our new relationship takes effect.

Mr. Chairman, I wish to thank you for the opportunity to speak before this committee today. Regarding the budget for Compact implementation that has been submitted by the Administration, my government has noted several outstanding issues that have been neglected in the Administration's budget request. Provisions of the Compact of Free Association Act of 1985 have been left out of the budget--even though these provisions were approved by the United States Congress, signed by President Reagan, and presented to the people of the Marshall Islands as assurances when the Nitijela, our national legislature, reviewed and approved the Compact at the beginning of the year. The Nitijela's deliberations on the Compact was broadcast nationwide on radio and listened to with close attention in the remotest outer islands. I do not want to have to return to Majuro after today's testimony and report to the citizens of my nation that the assurances of the United States, which I had conveyed to them, the United States no longer stands by. And, as I have stated, it is the position of my government that the Compact of Free Association and its subsidiary agreements are indivisible. There can be no such thing as partial implementation, just as there was no such thing as partial approval. The supplemental items for which we have requested funding deal with these issues in a way that is fair and consistent with the United States Compact Act.

There is a story that is taught to school children in the Marshall Islands as they begin to learn English. It is called "The Magic Bean". I am told that the story is also widely known in America. It tells of a little farm boy who takes his mother's cow into town to sell for food money. Instead of selling the cow, the boy trades it for a magic bean. It wasn't long before the boy was feeling uncertain about the magical properties of the bean. We in the Marshall Islands are starting to feel like the little boy and are experiencing uncertainties about the Compact of Free Association relationship. We have looked on it as a starting point for the development of our young nation, yet the first few months of what the Administration regards as the transitional period have been very awkward. My government finds itself in the position of sending a delegation to Washington to plead for special consideration for programs and projects that our governments had agreed to only a few months ago. We very much hope that you will give your full support to the Compact and its subsidiary agreements and that the new relationship between our two nations grows and flourishes as did the little boy's magic bean.

Kom kanuij in emol.

TUESDAY, APRIL 29, 1986.

FEDERATED STATES OF MICRONESIA

WITNESSES

BAILEY OLTER, VICE PRESIDENT, FSM

PETER CHRISTIAN, CHAIRMAN OF THE WAYS AND MEANS COMMITTEE, CONGRESS OF THE FEDERATED STATES OF MICRONESIA

JAMES T. STOVALL

THOMAS A. BUSSANICH, BUDGET OFFICER

DEL PANGELINAN, NATIONAL GOVERNMENT BUDGET OFFICER

Mr. YATES. Now we have FSM.

Mr. MONTOYA. Mr. Chairman, if I may make a minor correction. That is Interior's Solicitor, not the Solicitor General, sir.

Mr. YATES. We are talking about the Solicitor General. No, not the Solicitor General. That is the Office of the Solicitor in the Department of the Interior.

Mr. MONTOYA. Yes, sir. Exactly.

SUMMARY STATEMENT OF VICE PRESIDENT OLTER

Mr. YATES. That is the one who is looking at it.

Mr. Olter, your statement, sir, may be made part of the record, and Senator Peter Christian, Chairman of the Ways and Means Committee, his statement may be made part of the record, as well.

All right. Mr. Olter, how are you getting along with Mr. Montoya?

Mr. OLTER. Very well since the last time we went fishing and he didn't catch any.

Mr. YATES. Is that possible that you didn't catch any fish in those waters?

Mr. MONTOYA. It was that trip.

Mr. YATES. Did you take another trip?

Mr. MONTOYA. No.

Mr. YATES. Isn't that too bad?

Mr. MONTOYA. We found out who the Jonas was.

Mr. YATES. All right. Mr. Olter, you are getting along very well with him, you say?

Mr. OLTER. Thank you, Mr. Chairman.

I would like to briefly summarize some of our concerns.

Mr. YATES. We will be glad to hear them.

Mr. OLTER. I am requesting that our statements be made part of the record.

Mr. YATES. Your statements are part of the record.

Mr. OLTER. Thank you, Mr. Chairman.

As I said, I get along pretty well with my friend, Mr. Montoya, and I sympathize also with his marching order from his boss or bosses, whatever the case may be. We also have our concerns because of the people we are trying to protect in our areas and trying to promote.

We are concerned that the administration seems to refuse to request, for example, Federal programs; programs that were inserted by the Congress. We feel and also explained to our legislature in the FSM, that they are entitlements. Therefore, the vote by the legislative parties were quite favorable; otherwise it would be a different picture.

So we hope that the Congress views these Federal programs as entitlements and not just authorizations.

Mr. **Yates**. Okay.

Mr. **Olter**. Thank you. Some of these programs we are concerned about are not requested by the administration but are in the Compact. For example, the Federal program for education provides, in declining order, $13 million for fiscal year 1986, $8.7 million for 1987, and so on for the first three years. Funds for the prior service program are also not requested. Indefinite land use payments, we think are a commitment by our trustee to pay off before we excuse them. Also funding for communicable diseases have been requested for the past several years; this program is progressing pretty well.

Other programs include payment for medical services incurred by our FSM citizens; technical assistance, which we expect in terms of expert help; and also Federal grants funding. We are concerned about Public Law 99-178, which we feel prematurely cut off vital services, especially in health, education, and labor; causing labor programs to be shut-off and employees to be laid off.

Next, of course, we consider in the transition period programs like capitol relocation which we were promised would be built since 1972. We still haven't built it. First, the national capital. We are ready with the A&E. Congress provided A&E money at two million dollars plus, and also provided the initial capital for construction of $3.9 million.

We need the balance of $9.4 million. We have bid the contract out and have a contractor that is ready to start building the structures at an estimated cost more than $2 million below the original estimate. We also think of our new college we have been asking for over the years, a new campus of $12 million, and are concerned about programs cut off to the college. At present, our annual expenditure is about $4 million.

These are some of the concerns we have in the FSM and if there are questions, others can provide answers or we can seek to answer them.

[The statements of Mr. Olter and Mr. Christian follow:]

STATEMENT
OF
THE HONORABLE BAILEY OLTER
VICE PRESIDENT
FEDERATED STATES OF MICRONESIA

BEFORE THE
SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

ON THE
FEDERATED STATES OF MICRONESIA FY 1987 BUDGET REQUEST

APRIL 29, 1986

INTRODUCTION

MR. CHAIRMAN, WHEN OUR BUDGET OFFICIALS LAST VISITED WASHINGTON, WE HAD READ PUBLIC LAW 99-239 AND FELT SECURE IN THE BELIEF THAT THE UNITED STATES WOULD PROVIDE FUNDING FOR THE COMPLETE PACKAGE THAT WAS AUTHORIZED BY THE AMENDED COMPACT OF FREE ASSOCIATION.

UNFORTUNATELY, OUR VISION OF AN ORDERLY PROGRESSION INTO FREE ASSOCIATION HAS BEEN CLOUDED BY SUBSEQUENT EVENTS THAT CALL INTO QUESTION THE UNITED STATES ADMINISTRATION'S COMMITMENT TO P.L. 99-239, AND THEREFORE THE UNDERSTANDING OF THE FSM GOVERNMENT AS TO THE MEANING OF THE AMENDED COMPACT OF FREE ASSOCIATION. WE BECAME AWARE OF THIS GAP IN UNDERSTANDING WITH THE SUBMISSION OF THE ADMINISTRATION'S BUDGET. IT WAS THEN THAT WE REALIZED, THAT DESPITE THE LANGUAGE OF P.L. 99-239, THE U.S. ADMINISTRATION HAD NO INTENTION OF HONORING THE PROGRAM RELATED CHANGES MADE TO THE COMPACT AND WOULD NOT REQUEST THE APPROPRIATION OF FUNDS SO AUTHORIZED. THIS INCLUDED THE ADMINISTRATION'S REFUSAL TO REQUEST APPROPRIATIONS FOR A BADLY NEEDED AND MUCH DISCUSSED TRANSITION OF U.S. FEDERAL PROGRAMS IN EDUCATION. THESE PROGRAMS AND OTHER MEASURES ARE IDENTIFIED IN P.L. 99-239 AND ARE PART OF THE COMPACT.

THE ORDERLY PROGESSION INTO FREE ASSOCIATION HAS ALSO BEEN SET BACK BY ANOTHER PROBLEM THAT RELATES TO THE NEED FOR A TRANSITION PERIOD IN FEDERAL EDUCATION PROGRAMS. AS YOU MAY KNOW, AN INTERPRETATION OF THE LANGUAGE OF SECTION 514 OF P.L. 99-178, HAS

STOPPED THE FSM FROM RECEIVING ANY FURTHER FUNDING FOR FEDERAL PROGRAMS RELATED TO HEALTH, EDUCATION AND LABOR. THIS BECAME EFFECTIVE WITH THE ENACTMENT OF THE COMPACT OF FREE ASSOCIATION LAST JANUARY 14TH.

THIS IS OBVIOUSLY NO TRANSITION AT ALL, AND QUITE OUTSIDE THE INTENTIONS OF OUR COUNTRIES AS THEY RELATE TO FREE ASSOCIATION.

MR. CHAIRMAN, THE FSM BELIEVES THIS BUDGET PRESENTATION IS ESPECIALLY CRITICAL TO OUR FUTURE AS WE ENTER THE COMPACT OF FREE ASSOCIATION. WE WILL REQUEST THE APPROPRIATION OF ALL ENTITLEMENTS AND AUTHORIZATIONS INCLUDED IN P.L. 99-239 AND AGAIN RAISE THE CONTINUING TRANSTIION ISSUES THAT WERE NOT ADDRESSED BY THE COMPACT. WE WILL ALSO ADDRESS SEVERAL ISSUES AS THEY RELATE TO THE FY 1986 SUPPLEMENTAL REQUEST.

COMPACT FUNDING

MR. CHAIRMAN, IT IS QUITE CLEAR THAT THE UNITED STATES ADMINISTRATION DOES NOT SUPPORT THE COMPACT OF FREE ASSOCIATION IN THE FORM IN WHICH IT EMERGED AS P.L. 99-239. ITS ACTIONS IN PRESENTING THE FY 1986 SUPPLEMENTAL AND FY 1987 BUDGET SHOW THAT IT DOES NOT RESPECT THE CHANGES MADE TO THE COMPACT BY THE CONGRESS. EXTREMELY IMPORTANT FEATURES OF THE COMPACT THAT WERE ADDED TO THE ORIGINAL DOCUMENT ACCEPTED BOTH BY CONGRESS AND THE FSM ARE CONSCIOUSLY ABSENT FROM THE ADMINISTRATION'S FUNDING REQUEST.

THE FSM GOVERNMENT IS FIRMLY CONVINCED THAT ABSENCE OF THE APPROPRIATION OF FUNDS FOR ALL COMPACT AUTHORIZATIONS AND ENTITLEMENTS WILL DAMAGE THE ABILITY OF THE FSM TO PROVIDE NEEDED SERVICES AND PROGRAMS. WITHOUT QUESTION, THE UNDERSTANDINGS OF ITS PEOPLE CONCERNING FREE ASSOCIATION WILL BE ERODED.

THE ADMINISTRATION'S BUDGET JUSTIFICATIONS FOR FY 1987 NOTE THAT THEIR REQUEST "IS CONSISTENT WITH THE PROVISIONS OF P.L. 99-239 AND THE NEGOTIATED FUNDING FOR THE SECOND YEAR OF THE COMPACT." THIS, HOWEVER, IS NOT THE CASE.

THE ADMINISTRATION HAS CONSCIOUSLY REFUSED TO REQUEST THE APPROPRIATION OF THE FOLLOWING ITEMS INCLUDED IN PUBLIC LAW 99-239:

1. IN BOTH THE FY 86 AND THE FY 87 REQUESTS, THE ADMINISTRATION IGNORES THE PROVISION OF SECTION 105 (1)(2) WHICH PROVIDES THAT FEDERAL PROGRAMS REQUESTED BY THE FAS AND PROVIDING FINANCIAL ASSISTANCE FOR EDUCATION AS OF JANUARY 1, 1985 IN THE FSM AND THE MARSHALLS SHOULD CONTINUE TO PROVIDE SUCH ASSISTANCE ON A DESCENDING SCALE FOR A THREE-YEAR PERIOD. THE ADMINISTRATION SHOULD HAVE FOLLOWED THE INTENT OF THIS PROVISION BY REQUESTING THE APPROPRIATION OF $13 MILLION IN FY 1986 AND $8.7 MILLION IN FY 1987. THESE AMOUNTS ARE TO BE SHARED BY THE FREELY ASSOCIATED STATES. THIS IS ONE OF THE MOST GRIEVIOUS OF THE ADMINISTRATION'S OMMISSIONS.

2. THE ADMINISTRATION IGNORES SECTION 105 (M) WHICH PROVIDES FOR THE CONTINUATION OF THE PRIOR SERVICE BENEFITS PROGRAM. THIS PROGRAM HAS BEEN ACCEPTED BY CONGRESS AS A CONTINUING RESPONSIBILITY OF THE UNITED STATES GOVERNMENT BY ITS INCLUSION IN P.L. 99-239. FUNDING MUST BE PROVIDED IN THE FY 1987 BUDGET FOR THE PROGRAM'S EXPENSES.

3. THE ADMINISTRATION ALSO IGNORES SECTION 105 (n) REGARDING INDEFINITE LAND USE PAYMENTS. THE FSM HAS ALWAYS REGARDED THIS ISSUE AS A RESPONSIBILITY OF THE UNITED STATES ARISING FROM THE TRUSTEESHIP. THESE FUNDS SHOULD BE APPROPRIATED BEFORE THE END OF_THE TRUSTEESHIP.

4. THE ADMINISTRATION DISREGARDS SECTION 105 (O) WHICH AUTHORIZES SUCH SUMS AS MAY BE NECESSARY FOR ESTABLISHING CONTINUING PROGRAMS FOR THE CONTROL AND PREVENTION OF COMMUNICABLE DISEASES. SUCH SUMS ARE NOT TO BE FOUND IN THE ADMINISTRATION'S PROPOSED BUDGET.

5. THE ADMINISTRATION ALSO FAILS TO ADDRESS SECTION 105 (D) WHICH MAKES AVAILABLE SUCH SUMS AS ARE NECESSARY FOR THE PAYMENT OF DEBTS FOR MEDICAL SERVICES INCURRED BY CITIZENS OF THE FEDERATED STATES OF MICRONESIA. IT WILL BE SIGNIFICANT TO THE STABILITY OF OUR HEALTH CARE SYSTEMS IF THE FSM IS ABLE TO BEGIN FREE ASSOCIATION WITH A CLEAN FINANCIAL SLATE WITH UNITED STATES MEDICAL FACILITIES.

6. THE ACTIONS OF THE ADMINISTRATION HAVE RAISED SERIOUS DOUBTS THAT IT SUPPORTS SECTION 105 (1) AND THE TECHNICAL ASSISTANCE PROVISIONS. TECHNICAL ASSISTANCE REQUESTS BY OTIA HAVE BEEN REDUCED BY $2 MILLION FROM THE CURRENT FISCAL YEAR, AND THERE ARE NO ESTIMATES IN THE BUDGET FOR THE COSTS OF TECHNICAL ASSISTANCE TO BE PROVIDED BY THE FOREST SERVICE, SOIL CONSERVATION SERVICE, FISH AND WILDLIFE SERVICE AND OTHERS. TECHNICAL ASSISTANCE IS NOT LIMITED TO PROVISION OF EXPERTISE. FREQUENTLY IT HAS INCLUDED GRANTS OF FUNDS. WE WISH TO ENSURE THAT THIS OPTION REMAIN AVAILABLE.

AS YOU KNOW, MR CHAIRMAN, U.S CONGRESSIONAL REVIEW OF THE COMPACT PROPOSED MANY CHANGES TO THE ORIGINAL DOCUMENT, SOME OF WHICH WE SUPPORTED, SOME OF WHICH WE WERE LESS ENTHUSIASTIC ABOUT. IN THE END, HOWEVER, THE COMPACT EMERGED IN A FORM THAT WAS ACCEPTED BY BOTH OUR GOVERNMENTS. THE SECTIONS THAT THE ADMINISTRATION HAS OMMITED FROM ITS BUDGET SUBMISSION WERE ADDED TO THE ORIGINAL COMPACT THROUGH THE LEGISLATURE REVIEW PROCESS. THAT DOES NOT MINIMIZE THEM, NOR MAKE THEM LESS A PART OF THE AGREEMENT THAN THE REMAINING ORIGINAL CHAPTERS. IN FACT, MR. CHAIRMAN, THE FSM'S AGREEMENT TO THE REVISED COMPACT, AND I MUST STRESS THIS, WAS GIVEN IN RELIANCE ON ALL OF THE PROVISIONS OF P.L. 99-239. WE EXPECTED THAT EACH AND EVERY ONE OF THESE PROVISIONS WILL BE HONORED. WE VIEW THE ADMINISTRATION, THEREFORE, AS PLACING THE U.S. GOVERNMENT IN THE POSITION OF NOT LIVING UP TO ITS PART OF THE ARRANGEMENT.

WE FEEL FORTUNATE, MR. CHAIRMAN, THAT WE ARE ABLE TO BRING THIS CONCERN DIRECTLY TO CONGRESS' ATTENTION. WE FEEL CERTAIN THAT THE CONGRESS' UNDERSTANDING OF THE IMPORTANCE OF THESE SECTIONS OF P.L. 99-239 IS ESSENTIALLY THE SAME AS OURS AND THAT THE UNDERSTANDING WILL BE THE BASIS FOR IMPLEMENTATION OF THE LAW.

FEDERAL EDUCATION TRANSITION

MR. CHAIRMAN, LET ME NOTE FOR THE RECORD THAT THE FSM HAS LONG PRESSED FOR A TRANSITIONAL PHASE-OUT OF FEDERAL PROGRAMS DURING THE INITIAL YEARS OF THE COMPACT. EARLY DRAFTS OF P.L. 99-239 PROVIDED FOR A GENERAL THREE YEAR TRANSITIONAL PERIOD FOR ALL FEDERAL PROGRAMS. IN THE COURSE OF FINAL NEGOTIATIONS, WE ACCEPTED AN ALTERNATIVE APPROACH MAKING SPECIFIC PROVISIONS FOR EDUCATIONAL PROGRAM ASSISTANCE OVER A THREE YEAR PERIOD.

THIS TRANSITIONAL EDUCATION FUNDING WAS CRUCIAL TO THE FSM'S FINAL ACCEPTANCE OF THE COMPACT AS CHANGED BY CONGRESS. THE FSM STATES AND THE COLLEGE OF MICRONESIA ARE PROFOUNDLY CONCERNED THAT THIS PROVISION BE IMPLEMENTED, FOR IT WILL ALLOW THE ORDERLY WIND-UP OF FEDERAL ASSISTANCE AND THE TIME TO ANALYZE WHICH TYPES OF EDUCATIONAL PROGRAMS SHOULD BE RETAINED UNDER COMPACT AND LOCAL FUNDING SOURCES. WE ARE RELIEVED THAT THE CONGRESS HAD THE WISDOM TO DELINEATE IN SUCH SPECIFIC TERMS THIS ESSENTIAL TRANSITIONAL PERIOD BECAUSE WE HAVE BEEN TOLD BY THE ADMINISTRATION THAT THE EARLIER, MORE GENERAL, PROPOSAL WHICH RELIED UPON THE ADMINISTRATION'S COOPERATION WOULD HAVE BEEN IGNORED.

THE ADMINISTRATION'S UNRESPONSIVE POSITION AND THE LANGUAGE OF SECTION 105 (B)(2) OF P.L. 99-239 LEADS US, TO REQUEST THIS FUNDING BE PROVIDED, NOT AS REIMBURSEMENTS THROUGH THE SECRETARY OF INTERIOR, BUT THROUGH THE PROVISION OF DIRECT GRANTS TO THE FAS GOVERNMENTS. THIS REQUEST IS PROMPTED BY THE PECULIAR LANGUAGE OF THE SECTION REQUIRING "FUNDS APPROPRIATED TO THE SECRETARY ... SHALL NOT BE ALLOCATED TO OTHER AGENCIES." THIS LANGUAGE WITHOUT AMENDMENT GIVES US PAUSE.

WE FEEL THE APPROACH OF MAKING DIRECT GRANTS WILL BE SIMPLER BOTH FOR APPROPRIATION AND FOR THE ADMINISTRATION OF THE FUNDS BY THE UNITED STATES AND THE FAS GOVERNMENTS. IT WILL ALLOW MAXIMUM FLEXIBILITY IN PHASING-OUT PROGRAMS FROM PRIMARY THROUGH POST-SECONDARY EDUCATION. THESE FUNDS ARE PROFOUNDLY IMPORTANT TO THE FAS.

FY 1986 SUPPLEMENTAL APPROPRIATIONS

MR. CHAIRMAN, THE ADMINISTRATION INTENDS TO USE THE FY 1986 SUPPLEMENTAL TO IMPLEMENT THE FINANCIAL PROVISIONS OF THE COMPACT RETROACTIVELY TO THE BEGINNING OF THE CURRENT FISCAL YEAR. WE CONCUR WITH THAT APPROACH.

THERE ARE, HOWEVER, SOME ASPECTS OF THE ADMINISTRATION'S REQUEST WITH WHICH WE DO NOT AGREE. THE ADMINISTRATION IS REQUESTING THAT CONGRESS REAPPROPRIATE THE AMOUNTS OF THIS YEAR'S DOI APPROPRIATIONS AS AN OFFSET AGAINST THE FIRST YEAR COMPACT TOTAL.

FOUR ELEMENTS OF THE OFFSET ARE UNACCEPTABLE TO THE FSM. THESE ARE THE AMOUNTS FOR PRIOR SERVICE BENEFITS, COLLEGE OF MICRONESIA OPERATIONS, SATELLITE COMMUNICATIONS AND CAPITAL IMPROVEMENTS.

WE ARE OTHERWISE IN SUPPORT OF THE SUPPLEMENTAL APPROPRIATION PROVIDED IT ALSO ADDRESSES ALL COMPACT REQUIRMENTS AND OUR LONG-STANDING TRANSITION REQUESTS. WE WOULD ALSO PROMOTE THE INSERTION OF THE LANGUAGE BEING CONSIDERED BY OTHER SUBCOMMITTEES INTO THE SUPPLEMENTAL APPROPRIATION TO ADDRESS THE DIFFICULTIES CAUSED BY SECTION 514 OF P.L. 99-178 WHICH PREMATURELY CUTS OFF PROGRAMS UNDER THE DEPARTMENTS OF LABOR, EDUCATION AND HEALTH AND HUMAN SERVICES AS OF JANUARY 14, 1985. THE PREMATURE CUT-OFF OF FEDERAL PROGRAMS IS CREATING GAPS IN THE FUNDING OF VITAL SOCIAL SERVICES IN THE FSM, WHICH CANNOT BE ADDRESSED BY THE LOCAL GOVERNMENTS WITH THEIR PRESENT RESOURCES. THE THREATENED SERVICES IN THE AREAS OF HEALTH, EDUCATION AND LABOR ARE SO VITAL THAT WITHOUT THEM OUR HEALTH AND EDUCATION SYSTEMS WOULD BE VIRTUALLY SHUT DOWN. ALREADY, THE CUT-OFF IS BEING IMPLEMENTED AS TO PROGRAMS WHICH INCLUDE HEAD START, MATERNAL AND CHILD ASSISTANCE, AGING PROGRAMS AND OTHERS. WE ARE ALSO THREATENED WITH THE ABRUPT LAY-OFF OF MANY FEDERALLY FUNDED EMPLOYEES. WE WILL NOT BE ABLE TO ABSORB THE COSTS OF THESE EMPLOYEES UNTIL COMPACT FUNDS, INCLUDING THE TRANSITIONAL EDUCATIONAL PROGRAMS, ARE PROVIDED.

WE DO NOT BELIEVE THAT THE DISRUPTIVE PROVISION OF P.L. 99-178 REFLECTS THE INTENTION OF THE CONGRESS AND URGE YOU TO SUPPORT RAPID RESOLUTION OF THE PROBLEM.

I WOULD NOW LIKE TO TURN BACK TO THE THREE TRUSTEESHIP OBLIGATION MATTERS NOT RESOLVED IN PUBLIC LAW 99-239. THIS COMMITTEE IS QUITE FAMILIAR WITH THESE LONG-STANDING CONCERNS, BUT I WILL RAISE THEM AGAIN IN AN EFFORT TO IMPRESS UPON THE COMMITTEE THE URGENCY WITH WHICH THE FSM VIEWS THESE MATTERS. NOW THAT IMPLEMENTATION OF THE COMPACT APPEARS IMMINENT, WE FEEL THAT THESE MATTERS SHOULD BE RESOLVED, SO THAT THE UNITED STATES AND THE FEDERATED STATES OF MICRONESIA CAN ENTER INTO THEIR NEW RELATIONSHIP FREE FROM UNFULFILLED COMMITMENTS AND OBLIGATIONS UNDER THE TRUSTEESHIP.

NATIONAL CAPITAL

THE GOVERNMENT OF THE FEDERATED STATES OF MICRONESIA URGENTLY REQUESTS THAT FULL FUNDING FOR CONSTRUCTION OF FSM NATIONAL CAPITAL FACILITIES BE INCLUDED IN THE FY 1986 SUPPLEMENTAL. WITHOUT APPROPRIATION OF THE ADDITIONAL $9.4 MILLION PROMISED, THIS LONG-DELAYED PROJECT WILL BE FURTHER DELAYED, AND THE COST OF THE PROJECT WILL CONTINUE TO INCREASE SIGNIFICANTLY. MOREOVER, OUR GOVERNMENT WILL LOSE CREDIBILITY IN THE EYES OF CONTRACTORS WHOM WE NEED NOT ONLY FOR THIS PROJECT BUT FOR A RANGE OF DEVELOPMENT PROJECTS OVER THE NEXT FIFTEEN YEARS IN THE FEDERATED STATES OF MICRONESIA. WE DID NOT PROCEED WITH THIS PROJECT UNTIL FUNDS WERE INITIALLY PROVIDED. BUT HAVING STARTED, WE MADE OTHER FORWARD COMMITMENTS TO MAINTAIN PROJECT MOMENTUM AND MINIMIZE COSTS. EQUALLY IMPORTANT, THE PEOPLE OF OUR NATION SHOULD NOT CONTINUE TO BE SADDLED WITH THE SEVERE LIMITATIONS ON THEIR

GOVERNMENT'S OPERATIONAL ABILITY IMPOSED BY ITS PRESENT, CRAMPED QUARTERS. EVEN THE MODEST NEW FACILITIES PLANNED WOULD POSITIVELY SYMBOLIZE THE NEW SELF-GOVERNING STATUS OF THE FSM. GIVEN THE DIVERSITY OF THE PEOPLE OF OUR NATION, AND THE NEED FOR GREATER UNITY, THIS SECOND CONSIDERATION MUST NOT BE IGNORED. THE NEW FACILITY CAN BE EXPECTED TO ENGENDER A SPIRIT OF UNITY THAT WILL AID IMMENSELY IN ACHIEVING BETTER COOPERATION AND UNDERSTANDING AMONG OUR CITIZENS.

THE CONSTRUCTION OF PERMANENT NATIONAL CAPITAL FACILITIES FOR THE FEDERATED STATES OF MICRONESIA IS A FIRM AND LONG-STANDING COMMITMENT OF THE UNITED STATES GOVERNMENT, WHICH HAS BEEN EXPRESSED REPEATEDLY. THE NATIONAL CAPITAL PROJECT HAS BEEN A HIGH PRIORITY FOR OUR GOVERNMENT FOR A NUMBER OF YEARS. THE EXISTING TEMPORARY CAPITAL FACILITIES ARE SIMPLY INADEQUATE AND AN EMBARRASSEMENT TO OUR GOVERNMENT AND OUR PEOPLE.

WHILE THE PROJECT IS TO BE COMPLETED OVER A TWO-YEAR PERIOD, OUR GOVERNMENT NEEDS TO HAVE FULL FUNDING FOR THE PROJECT AVAILABLE BEFORE IT CAN ENTER INTO A CONTRACT. THE FSM FINANCIAL MANAGEMENT ACT PROHIBITS OUR GOVERNMENT FROM ENTERING INTO A CONTRACT WITHOUT HAVING FUNDING AVAILABLE. IT WOULD NOT BE FINANCIALLY PRUDENT FOR OUR GOVERNMENT TO DO OTHERWISE.

THIS IS NOT A MATTER ON WHICH FURTHER DELAY IS WARRANTED. THE UNITED STATES COMMITMENT IS CLEAR AND DELAY WILL ONLY CAUSE THE FINAL COST TO INCREASE DRAMATICALLY AND NEEDLESSLY. THE

FEDERATED STATES OF MICRONESIA HAS ACTED RESPONSIBLY AND IN GOOD FAITH IN RELIANCE ON REPEATED ASSURANCES FROM THE UNITED STATES THAT FUNDING FOR THE CAPITAL WOULD BE PROVIDED IN A TIMELY MANNER. HAVING REJECTED BIDS ONCE, THIS GOVERNMENT DOES NOT WISH TO LOSE CREDIBILITY BY LOSING ITS PRESENT BIDS DUE TO A LACK OF FUNDING. THIS WOULD BE EXTREMELY UNDESIRABLE. WE ARE A NATION TRYING TO ESTABLISH A REPUTATION FOR COMPETENCE AND INTEGRITY AND DO NOT WISH TO BE LABELLED IRRESPONSIBLE.

THE TIME HAS COME TO FULFILL THIS LONG-STANDING AND LONG OVERDUE COMMITMENT OF THE UNITED STATES.

COLLEGE OF MICRONESIA

FOR YEARS HIGH SCHOOL GRADUATES HAVE BEEN LEAVING OUR ISLANDS TO CONTINUE THEIR EDUCATIONS IN GUAM, HAWAII, THE U.S. MAINLAND AND VARIOUS FOREIGN COUNTRIES. WE ARE PROUD OF THOSE WHO HAVE EARNED THEIR DEGREES, WHILE AT THE SAME TIME CONCERNED BY THE NUMBER WHO RETURN EMPTY HANDED. ALL TOO OFTEN THOSE WHO LEAVE THEIR ISLANDS ARE NOT ACADEMICALLY OR EMOTIONALLY PREPARED TO WITHSTAND THE DIFFERENCES THEY EXPERIENCE. WE WOULD LIKE TO SEE MANY MORE OF THOSE WHO LEAVE MAKE THE NECESSARY ADJUSTMENTS SUCCESSFULLY. THE COMMUNITY COLLEGE OF MICRONESIA CAN PROVIDE THAT ALL IMPORTANT INTERIM EXPERIENCE FOR THOSE NOT ADEQUATELY PREPARED IMMEDIATELY AFTER HIGH SCHOOL.

THE COLLEGE OF MICRONESIA CAN NEITHER SUPPLANT NOR BE SUPPLANTED BY OUTSIDE EDUCATIONAL INSTITUTIONS. MOST MICRONESIAN FAMILIES LIVE ON LIMITED FINANCIAL RESOURCES AND CAN NOT REALISTICALLY CONSIDER OFF-ISLAND EDUCATION FOR EVEN THEIR MOST PROMISING CHILDREN. THE GOVERNMENTS, IN TURN, DO NOT HAVE RESOURCES TO PROVIDE THE SCHOLARSHIP, TRANSPORTATION, AND LIVING EXPENSE ASSISTANCE NECESSARY. THE EXISTENCE OF CCM, HOWEVER, ENABLES EVEN THOSE WITH EXTREMELY LIMITED FINANCIAL RESOURCES THE OPPORTUNITY TO GAIN THE PERSONAL AND PROFESSIONAL DEVELOPMENT THAT IS FUNDAMENTAL TO IMPROVING THE QUALITY OF ONE'S LIFE. FOR MANY YEARS THE COLLEGE HAS ALSO BEEN THE PRIMARY SOURCE OF TEACHERS FOR OUR NATION'S ELEMENTARY AND SECONDARY SCHOOLS. IT HAS LIKEWISE SERVED AS THE TRAINING GROUND FOR MANY OTHERS WHO HAVE ENTERED NEEDED OCCUPATIONS. ITS ROLE IN THIS REGARD WILL BE EXPANDED SIGNIFICANTLY IN THE FUTURE, AS THE COLLEGE BEGINS TO FOCUS MORE INTENTLY ON VOCATIONAL AND OTHER DEVELOPMENT-RELATED OCCUPATIONAL SKILLS.

THIS PROBLEM HAS BEEN RECOGNIZED BY THE ACCREDITING COMMISSION FOR COMMUNITY AND JUNIOR COLLEGES, THE WESTERN ASSOCIATION OF SCHOOLS AND COLLEGES. THE W.A.S.C., IN VIEW OF THE IMPORTANCE OF CCM, HAS BEEN WILLING TO CONTINUE ITS ACCREDITATION, NOTWITHSTANDING THE FACT THAT THE PHYSICAL FACILITIES PROBABLY DO NOT MEET MINIMUM ACCREDITATION STANDARDS.

THIS PROBLEM WAS ALSO RECOGNZIED BY THE U.S. CONGRESS WHEN IT AUTHORIZED APPROPRIATIONS FOR A NEW CAMPUS IN 1975. YET, TO DATE, NO APPROPRIATIONS HAVE BEEN FORTHCOMING AND THE CCM PHYSICAL PLANT CONTINUES TO DETERIORATE.

WE MUST ONCE AGAIN REQUEST THE U.S. CONGRESS TO APPROPRIATE $12 MILLION FOR THE COMMUNITY COLLEGE OF MICRONESIA. WE ALSO SUPPORT APPROPRIATIONS FOR THE RELOCATION OF THE CCM NURSING SCHOOL FROM SAIPAN TO THE REPUBLIC OF THE MARSHALL ISLANDS ($3.3 MILLION) AND FOR PHYSICAL IMPROVEMENTS TO THE MICRONESIAN OCCUPATIONAL COLLEGE IN THE REPUBLIC OF PALAU ($1.3 MILLION). THE PRESENT BUILDINGS AND FACILITIES AT CCM ARE RELICS FROM THE PAST THAT ARE COSTLY TO MAINTAIN AND REPAIR. THE PRESENT SITE CAN NO LONGER BE EXPANDED TO MEET THE GROWTH NEEDS OF THE COLLEGE AND EACH SEMESTER ONLY A FRACTION OF THOSE WHO APPLY CAN BE ACCEPTED BECAUSE OF THIS CONSTRAINT.

IN A MOVE TO REDUCE COSTS, THE FSM HAS DECIDED TO INTEGRATE THE CONSTRUCTION OF THE NEW COMMUNITY COLLEGE OF MICRONESIA WITH THE BUILDING OF THE NATIONAL CAPITAL FACILITIES IN PALIKIR. AS IN THE CASE OF THE CAPITOL COMPLEX, LAND HAS BEEN PROVIDED BY THE PEOPLE OF POHNPEI FOR THE COLLEGE AND THE DESIGN WORK HAS BEEN COMPLETED.

THE FSM GOVERNMENT WILL SIMPLY NOT HAVE THE FINANCIAL RESOURCES TO BUILD A NEW CCM CAMPUS, WITHOUT DIVERTING COMPACT FUNDS FROM OTHER ESSENTIAL CIP AND DEVELOPMENT PROJECTS. THE U.S. SHOULD NOT ALLOW THIS LEGACY OF ITS UNFULFILLED OBLIGATION FOR EDUCATIONAL DEVELOPMENT UNDER THE TRUSTEESHIP AGREEMENT TO CONTINUE.

IN ADDITION TO THE CAPITAL FUNDING NEEDS OF THE COLLEGE OF MICRONESIA SYSTEM, THERE IS A NEED TO ASSURE CONTINUED OPERATIONAL SUPPORT FOR THE SYSTEM. THE PROJECTED OPERATIONAL BUDGET NEEDS OF THE COLLEGE ARE CURRENTLY IN EXCESS OF $4.0 MILLION, AND MUST INCREASE IF THE COLLEGE IS TO PERFORM ITS CRITICAL FUNCTION. IN THE PAST, THE COLLEGE HAS RELIED PRIMARILY ON A COMBINATION OF DIRECT DOI OPERATIONAL GRANTS AND RECEIPTS FROM PELL GRANT, SEOG, AND COLLEGE WORK-STUDY PROGRAM AWARDS TO MEET ITS OPERATIONAL BUDGET NEEDS. THE COMPACT OF FREE ASSOCIATION DOES NOT CONTAIN OPERATIONAL GRANT ASSISTANCE FOR THE COLLEGE, ONLY PROVIDES FOR A TRANSITIONAL PHASE OUT OF U.S. SCHOLARSHIP ASSISTANCE AND MINIMAL REPLACEMENT GRANTS FOR SCHOLARSHIPS. THE GOVERNMENTS OF THE FSM, PALAU AND THE MARSHALL ISLANDS HAVE AGREED TO CONTINUE OPERATION OF THE COLLEGE OF MICRONESIA SYSTEM ON A UNIFIED BASIS. WHILE IT CAN BE EXPECTED THAT OUR GOVERNMENT AND THE GOVERNMENTS OF PALAU AND THE MARSHALL ISLANDS WILL PROVIDE OPERATIONAL SUPPORT TO THE COLLEGE IN THE FUTURE, FINAL ARRANGEMENTS ON THIS COST SHARING HAVE NOT BEEN RESOLVED. ALSO, OUR PRELIMINARY ASSESSMENT OF COMPACT PERIOD REVENUES, INCLUDING LOCAL REVENUES, INDICATES THAT FUNDING OF THE COLLEGE AT ITS PRESENT LEVEL WILL BE EXTREMELY DIFFICULT UNLESS SHARP, ACROSS-THE-BOARD REDUCTIONS IN EXISTING GOVERNMENT ACTIVITIES ARE CONTEMPLATED.

LAST YEAR, DURING THE CONGRESS' CONSIDERATION OF THE COMPACT OF FREE ASSOCIATION, WE ASKED THAT OUR YOUNG PEOPLE'S ELIGIBILITY FOR PELL, SEOG, AND COLLEGE WORK-STUDY GRANTS BE CONTINUED. WE WOULD LIKE TO REITERATE THAT REQUEST. WITH CONTINUED ELIGIBILITY

FOR THESE POST-SECONDARY EDUCATION PROGRAMS, WE CAN PROBABLY KEEP THE COLLEGE'S DOORS OPEN AS WELL AS PROVIDE FOR THE SPECIALIZED TECHNICAL AND PROFESSIONAL EDUCATION AND TRAINING NEEDS AT OUTSIDE INSTITUTIONS. WITHOUT THIS SUPPORT, THE FEDERATED STATES OF MICRONESIA MAY NEVER BE ABLE TO MEET ITS CRITICAL MANPOWER TRAINING NEEDS.

WAR CLAIMS

THE FINAL ISSUE I WISH TO RAISE CONCERNS THE RESOLUTION OF OUTSTANDING MICRONESIAN WAR CLAIMS.

WE HAVE BEEN ASSURED BY THE U.S. GOVERNMENT THAT IMPLEMENTATION OF THE COMPACT OF FREE ASSOCIATION WILL NOT AFFECT THE RIGHT OF OUR CITIZENS TO REDRESS OF THEIR WAR CLAIMS. YET IT HAS BEEN MANY YEARS SINCE THE MICRONESIAN CLAIMS COMMISSION FINISHED ITS WORK, AND SOME $24 MILLION OF THE FINAL AMOUNTS AWARDED BY THE COMMISSION THROUGHOUT THE TRUST TERRITORY STILL REMAINS UNPAID. THE APPARENT ROAD BLOCK IS A CERTIFICATION REQUIRED FROM THE SECRETARY OF THE INTERIOR UNDER U.S. PUBLIC LAW 94-134 AS TO JAPANESE GOVERNMENT CONTRIBUTIONS TO MICRONESIA. EACH DAY THAT THE IMPASSE CONTINUES ENGENDERS STRONGER FEELINGS OF MISTRUST AND BETRAYAL AMONG OUR CITIZENS, DIRECTED TOWARDS THE UNITED STATES, JAPAN, THE COMPACT OF FREE ASSOCIATION, AND EVEN CURRENT GOVERNMENT LEADERS IN MICRONESIA. THE WAR CLAIMS ISSUE IS CREATING POLITICAL TURMOIL WHICH SERIOUSLY AFFECTS OUR EFFORTS TO BUILD A NATION AND ACHIEVE UNITY, AND IS NOT IN THE BEST INTERESTS OF EITHER THE FEDERATED STATES OF MICRONESIA OR THE

UNITED STATES. OUR PEOPLE HAVE A RIGHT TO REDRESS OF THEIR WAR CLAIMS AND WE MUST REQUEST ON THEIR BEHALF THAT THIS ISSUE BE RESOLVED SWIFTLY, EITHER THROUGH THE PROCEDURE OUTLINED IN PUBLIC LAW 95-134 OR SOME OTHER MEANS.

IN CONCLUSION, MR. CHAIRMAN, I WOULD LIKE TO RESTATE MY CENTRAL THEME. THE FEDERATED STATES OF MICRONESIA REGARDS THE COMPACT OF FREE ASSOCIATION TO CONSIST OF ALL PARTS OF P.L. 99-239 AND THE RELATED AGREEMENTS. WE ALSO REGARD OUR FINAL ARRANGEMENTS WITH THE UNITED STATES, INCLUDING CONGRESSIONAL ACTIONS, AS EXPRESSING COMMITMENTS OF THE U.S. GOVERNMENT AS A WHOLE. BY ITS ACTIONS IN THE BUDGET, AND BY NOT SUPPORTING SIGNIFICANT FUNDING PROVISIONS ESTABLISHED BY CONGRESS, THE U.S. ADMINISTRATION HAS DEMONSTRATED A DIFFERENT, LESS ENCOMPASSING UNDERSTANDING. WE ARE CONFIDENT THAT THIS CONGRESS, IN RESPECT TO THE COMMITMENTS IT HAS MADE, WILL HAVE THE UNITED STATES LIVE UP TO THE AGREEMENT BETWEEN OUR TWO COUNTRIES. WE RECOGNIZE THE DIFFICULTIES IMPOSED BY THE CURRENT BUDGET DEFICIT SITUATION, BUT WHEN WE READ ACCOUNTS OF HOW THE DEFENSE DEPARTMENT, WHICH BELIEVES SO STRONGLY IN THE IMPORTANCE OF MICRONESIA TO THE UNITED STATES, HAS FOUND ENOUGH MISPLACED FUNDS TO FINANCE THE ENTIRE COMPACT, WE FIND IT DIFFICULT TO BELIEVE THAT THE UNITED STATES CANNOT AFFORD TO LIVE UP TO ITS PROMISES TO US.

STATEMENT
OF
SENATOR PETER CHRISTIAN
CHAIRMAN OF THE WAYS AND MEANS COMMITTEE
CONGRESS OF THE FEDERATED STATES OF MICRONESIA

BEFORE THE
SUBCOMMITTEE ON INTERIOR AND RELATED AGENCIES
COMMITTEE ON APPROPRIATIONS
U.S. HOUSE OF REPRESENTATIVES

ON THE
FEDERATED STATES OF MICRONESIA FY 1987 BUDGET REQUEST

APRIL 29, 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM PETER CHRISTIAN, CHAIRMAN OF THE WAYS AND MEANS COMMITTEE OF THE CONGRESS OF THE FEDERATED STATES OF MICRONESIA.

I DON'T DOUBT, MR. CHAIRMAN, THAT YOU ARE USED TO SEEING A MEMBER OF OUR CONGRESS ADDRESSING YOUR COMMITTEE IN TANDEM WITH OUR EXECUTIVE BRANCH REPRESENTATIVE. WE HAVE USED THIS APPROACH IN THE PAST BOTH TO SUPPORT THE VIEWS OF OUR EXECUTIVE BRANCH AND TO HIGHLIGHT SPECIFIC CONCERNS OF THE CONGRESS. WHILE I OBVIOUSLY SUPPORT THE STATEMENTS MADE TODAY BY OUR VICE PRESIDENT, I SHALL NOT HIGHLIGHT ANY SPECIFIC REQUESTS FOR APPROPRIATION ON BEHALF OF THE FSM CONGRESS. I WISH INSTEAD TO HIGHLIGHT AN OVER-RIDING BUDGET CONCERN I BELIEVE IS SHARED NOT ONLY BY MY CONGRESS COLLEAGUES, BUT BY ALL MEMBERS OF THE ELECTED LEGISLATURES OF THE FOUR STATES OF THE FSM.

WHAT YOU HAVE BEFORE YOU TODAY, MR. CHAIRMAN, ARE THE FIRST BUDGETS CONSIDERED UNDER THE COMPACT OF FREE ASSOCIATION. AFTER THE LENGTHY HISTORY OF THE COMPACT, IT'S A RELIEF THAT WE'VE MADE IT THIS FAR. THE COMPACT TOOK A LONG TIME TO NEGOTIATE, AND IT HAS TAKEN A LONG TIME TO GET US HERE ON THE VERGE OF IMPLEMENTATION.

AS WE AWAIT IMPLEMENTATION, MR. CHAIRMAN, I HAVE BEEN SURPRISED TO LEARN THAT THE EXECUTIVE BRANCH OF THE UNITED STATES GOVERNMENT SEEMS TO HAVE A SIGNIFICANTLY DIFFERENT INTERPRETATION OF THE COMPACT THAN DO THE ELECTED REPRESENTATIVES OF THE PEOPLE OF THE FSM. THE U.S. EXECUTIVE BRANCH SEEMS TO HAVE SOMEHOW MISSED THAT DURING THE LENGTHY REVIEW OF THE COMPACT BY THE U.S. CONGRESS, SIGNIFICANT CHANGES WERE MADE TO THE ORIGINAL AGREEMENT. THESE CHANGES AFFECTED THE RESPONSIBILITIES OF BOTH SIDES AND TRADED OFF ADVANTAGES OF THE OLD DOCUMENT FOR NEW ONES. IT WAS NOT NECESSARILY PAINLESS ON OUR PART TO WATCH THIS PROCESS. HOWEVER, AS YOU KNOW, THE CHANGES TO THE COMPACT THAT EMERGED WERE ACCEPTABLE TO US AND WERE APPROVED BY RESOLUTION BY ALL FIVE FSM LEGISLATURES.

WHAT WE APPROVED MR. CHAIRMAN, WAS THE COMPACT AS A WHOLE, TAKING INTO CONSIDERATION ALL OF THE VARIOUS SECTIONS OF P.L. 99-239. WE, AND THROUGH US OUR PEOPLE, EXPECT THAT THE UNITED STATES VIEWS IT THE SAME WAY, AND WE INTEND THAT ALL THE PROVISIONS OF P.L. 99-239 ARE IMPLEMENTED.

BUT AS WE HAVE SEEN, THE U.S. ADMINISTRATION DOES NOT VIEW ALL THE PROVISIONS AS OPERATIVE. THEY HAVE TOLD US THAT MANY OF THE THINGS ADDED TO THE COMPACT ARE OPTIONAL, AND THEY HAVE DISCUSSED THE SHADINGS OF "AUTHORIZATIONS" AND "ENTITLEMENTS". THEY HAVE ALSO TOLD US FLATLY THAT THE COMPACT HAS ENOUGH MONEY WITHOUT THE ADDED PROGRAMS.

I APPRECIATE THE BUDGET PROBLEMS OF THE UNITED STATES, AND I DO NOT ENVY ANY MEMBER OF CONGRESS HIS ROLE IN REDUCING THE GOVERNMENT'S DEFICIT. AS A LEGISLATOR, I FULLY IDENTIFY WITH THESE POLITICAL DIFFICULTIES. BUT AS A LEGISLATOR I AM ALSO AWARE THAT I AM BOUND BY THE COMMITMENTS MADE IN TREATIES AND GOVERNEMNT AGREEMENTS.

IT IS THE MUTUAL GOAL OF THE FSM AND THE UNITED STATES THAT THE TRUSTEESHIP BE TERMINATED AL AN EARLY DATE. IT WOULD BE UNFORTUNATE IF CONFUSION OVER COMPACT COMMITMENTS MADE OUR DISCUSSIONS AT THE UNITED NATIONS MORE DIFFICULT.

THE UNITED STATES GOVERNMENT HAS MADE NUMERIOUS COMMITMENTS THAT ARE VISIBLE IN PUBLIC LAW 99-239. I URGE THIS HONORABLE BODY TO SEE TO IT THAT YOUR EXECUTIVE BRANCH RECOGNIZES THEM FOR WHAT THEY ARE, AND THAT FULL FUNDING OF EACH AUTHORIZATION IS MADE DURING THE UPCOMING FISCAL YEAR.

THANK YOU VERY MUCH FOR YOUR TIME TODAY.

UNITED NATIONS PROCEDURE

Mr. Yates. Let me ask a question of Mr. Montoya. What is the procedure before the United Nations? You will appear?

Ms. McCoy. Yes, sir.

Mr. Montoya. Along with our delegate to the Trusteeship Council.

Mr. Yates. Before the Trusteeship Council. Will the gentlemen from the Islands appear, as well?

Ms. McCoy. Yes. They have every year. They are taking more and more of an active part.

This year, we expect it to be an extremely vocal part on their part, just as it has been the last three or four years.

President Nakayama will be there, as well. I don't know whether the Vice President is coming, but quite a group from each of our island governments will participate.

Mr. Yates. Will they be telling the Trusteeship Council the same thing they are telling us, that they are expecting to receive a certain amount of money from the Government of the United States?

Ms. McCoy. As I said earlier this morning, I can't say what they are going to say, only that we will all be asking for termination of the trusteeship.

Mr. Yates. Will you be asking for it, too? Will you be asking for termination of the trusteeship if you don't get the funds you have asked us for?

Mr. Olter. We would like, Mr. Chairman, very much to terminate the trusteeship agreement.

Mr. Yates. That will go forward even without the funds that you want Mr. Montoya to supply to you.

Mr. Olter. Mr. Chairman, that is why we are so concerned.

We may scratch our heads up in the council.

Mr. Yates. Well, you are going to the council on May 12th?

Ms. McCoy. Yes, sir.

Mr. Yates. Which is two weeks to go?

Ms. McCoy. Two weeks from yesterday.

Mr. Yates. Suppose Mr. Montoya does not change his mind for two weeks? You are still going to seek to terminate the trusteeship?

Mr. Olter. Yes. We consider terminating the trusteeship as in our interest, provided the transitional funding, as understood in the past, is met.

CONGRESSIONAL CHANGES TO COMPACT

Mr. Yates. Is there a general understanding as to what the agreement on funding was in the past? There is on your part?

Mr. Olter. Yes.

Mr. Yates. Is there on Mr. Montoya's part?

Mr. Olter. I cannot say.

Mr. Yates. Are you two in agreement on the amount?

Mr. Montoya. Absolutely. The Compact covers those amounts.

Mr. Yates. They don't have any money to ask for then, do they?

Mr. Montoya. Not given the difference between what we assume is the Compact that was approved by the people, which is reflected in our request for the 1987 budget.

Mr. **Yates**. You requested how much in 1987?

Mr. **Montoya**. The 1987 request was $144,270,000.

Mr. **Yates**. $144 million?

Mr. **Montoya**. And $270,000.

Mr. **Yates**. Is that your understanding as well?

Mr. **Christian**. Mr. Chairman, to answer the first question as to whether Mr. Montoya has a figure, I think he does; and we do also, but the figures are different. The figures seem to depend on interpretation of the Compact terms, not only there, but inclusive of Public Law 99-239.

Mr. **Yates**. Is this the question of the entitlements? Is this the only difference in the amount of funding?

Mr. **Montoya**. Yes, sir.

Mr. **Yates**. That depends on the opinion of the Solicitor of the Department of the Interior at the present time. We are all waiting for that right now.

Mr. **Christian**. Mr. Chairman, we came here with the understanding that we would be able to resolve some of the differences in interpretation by us, without the benefit of another interpretation. It is our firm belief that the changes which were given and subsequently accepted by our people were given in exchange for something that was lost.

The unfortunate part is, and we found out, that in the exchange, what was taken away seemed to be complete; but what was given in return to us seems to have come with a lot of conditions based on individual interpretation, whether to the Congress or the United Nations or what.

It seems inappropriate for me to say this, but it looks like we have more respect for the United States Congress' interpretation of the Compact and Public Law 99-239 than for your own administration's interpretation.

TAX AND TRADE COMPENSATION

Mr. **Yates**. Well, how does one reply to that, Mr. Montoya?

Mr. **Montoya**. Very easily, sir.

It is true that there was a loss during the legislative process on the tax and trade issue. I will touch on this and then I will defer to Mr. Berg. But in Section 111, there was a section noted as compensatory adjustments which provided an additional $20 million to the FSM for an investment development fund, as well as applicability where they would be eligible for new Federal programs that were not in the Compact. These consist of FDIC, SBA, EDA, Rural Electrification Administration, Job Training Partnership Act, Job Corps, and the programs and services of the Department of Commerce relating to tourism and to marine resource development.

Is that accurate, Mr. Berg?

Mr. **Berg**. That is correct.

Mr. **Yates**. Well, we look at Section 111. It says for the Investment Development Fund for FSM, "It is hereby authorized to be appropriated for fiscal year 1986 $20 million backed by the full faith and credit of the United States, of which $12 million shall be made available for obligation for the first full fiscal year after the effective date of the Compact."

That looks to me as though that is an entitlement. Doesn't it to you?

Mr. BERG. Mr. Chairman, what we did with respect to that funding is the legislation authorizes it for 1986, but provides that outlays will occur in the first and third full fiscal years after the Compact's effective date, which we think will be fiscal years 1987 and 1989.

Therefore, in our urgent supplemental request for 1986, we included a request for budget authority for the full $30 million and it is, in fact, provided and requested under the provisions of the full faith and credit of the United States.

We show outlays in 1987 and we will show outlays in 1989 when we present you the 1989 budget. So the administration is requesting precisely what is set forth in Section 111 in terms of this Investment Development Fund. I might note there is a later section in 111 that provides certain authorizations for additional funds in later years on the basis of justifications and reports filed by the Freely Associated States. Obviously, it would be premature at this time to request any funding for that.

As Mr. Montoya said, in Section 111(a), eligibility of the Freely Associated States for participation in a number of valuable and economic development related programs is provided.

The administration believes that this eligibility should go forward and will go forward. Most of these programs don't require appropriation on an annual basis. So it is not necessary for us in the Department of the Interior budget to include discrete line items for these programs.

The only one that is affected negatively at present is the Job Partnership Training Act, which is one of the programs caught in the Public Law 99-178, the short-term problem that Mr. Montoya's office is dealing with and that he has outlined the administration's intended course to rectify.

Otherwise, we believe that in this area where a clear trade-off was made and the administration participated in terms of responding to congressional colleagues and modifications of the trade and tax incentives, this program was devised. The administration indicated its concurrence in it and we are now taking all the steps necessary to seek and secure the funds that will make it real.

We are even engaged in discussions with the Freely Associated States about the creation of boards of advisors, with respect to the use of Investment Development Funds.

Mr. YATES. The way you speak, Mr. Berg, there is no difference of opinion between you and the people from the islands.

Mr. BERG. If I may just anticipate, they will.

Mr. STOVALL. Could we have a chance to answer that?

He was about to tell us what we were going to say.

Mr. BERG. I will refrain from doing that and simply say an earlier speaker said that the other authorizations, the ones which will be addressed in the Interior Solicitor's legal opinion, are somehow provided in compensation for the tax and trade provisions and that the administration earlier on made some sort of commitment to fund these programs.

In the closing days of negotiations leading to the legislation that Congress finally enacted, it is true that those in the administration who were charged with giving this kind of authority did authorize the administration spokesman to say that we would not object to the so-called additional Federal programs or add-ons. This was assuming they were included in the final legislation in the form that they existed at that time which was, in the view of the administration and in the view of the Senate participants, in the form of authorizations.

So that is what we believe. That is what the Senate believed, and still does.

CONGRESSIONAL CHANGES TO COMPACT

Mr. YATES. Part of it is what people in the islands believe, too, isn't it?

Mr. BERG. Yes, it is. They have a different view, as does the Chairman of the Public Lands Subcommittee as he has articulated and as set forth in the document you read. But many of them, I might say, not wishing to pre-judge the Interior opinion.

Mr. YATES. How much money is involved in this?

Mr. BERG. I think in total, it is more than $100 million.

Mr. YATES. You mean for all the groups.

Mr. BERG. Right. I think in terms of a 1987 Compact—total about $105 million.

Mr. YATES. $105 million.

How much are you claiming of the $105 million, how much would be allocated to you?

Mr. STOVALL. I think about $16 million or so discounting the request——

Mr. YATES. How do you count the $105 million, Mr. Montoya, to each of the groups? How much for FSM?

Mr. MONTOYA. I think about 70 percent goes to the FSM.

Mr. YATES. Of $105 million, they get $70 million?

Mr. STOVALL. I don't believe that is right.

Mr. YATES. We are just talking about the compensation fund. I think the issue is clear. It is a question of what the language means.

To you, it means one thing. To the administration apparently it means another.

Mr. STOVALL. I would like to add one point to that, if I may, Mr. Chairman.

I am counsel to the Political Status Commission for the FSM. In the eyes of the FSM and the people who ultimately approve the Compact, the difference between an entitlement or an authorization or anything else is an argument that they can't buy into. But while these points that Mr. Montoya and Mr. Berg mentioned are perfectly true as far as they go, the fact is that once that negotiation was carried out here in Washington on an unofficial basis, and the group of us who participated in it struck the best deal that could be obtained in dealing with the administration and after the Congress went ahead and approved the thing, the decisionmaking body or bodies back in the FSM then had to decide whether they were going to go along with it or not.

That was the Congress of the Federated States of Micronesia and the four legislatures of the four states.

Now, those bodies all, and each independently, took those questions up and carefully thought about it. They didn't just look at a balance between whether there was enough money in the compensation package to offset the loss of the trade and tax provisions.

As Mr. Ingram pointed out for the Marshalls, that is a highly probable mathematical exercise. Really, we felt that was not even adequate compensation for that. But taking a look at the whole package, all the benefits that were in there, it finally seemed to these legislative bodies, who incidentally are very anxious to terminate the trusteeship, that the package as modified by the Congress in its totality was acceptable.

There was an awful lot in the package other than the loss of trade and tax benefits that was of concern to them. There were provisions dealing with efficiencies and a lot of other things that gave them a lot of trouble.

So it was a total balancing exercise on their part that led them to the decision finally to approve the Compact. Believe me, these gentlemen—I can't stress enough—believed that what was in the Public Law would be provided.

Mr. YATES. The question is what was in the Public Law. These gentlemen say it is one thing and you say it is another. Mr. Seiberling says he intended your interpretation. They don't agree with Mr. Seiberling.

So now who decides? If the Congress were to consider it again, perhaps they would make it much more clear than they have done in the past. My own feeling, as I look at that, is that they are at least in—what subparagraphs were they? Section 111 and the two subparagraphs relating to it seem to me to provide for making funds available, certain sums available which I think is the equivalent—those are included. Okay.

So we better just wait for the Solicitor's opinion rather than going through the whole legislative process again.

Mr. STOVALL. I would just add, if I may, Mr. Chairman, that even if the Solicitor's opinion is that we are talking about authorizations, the attitude of the FSM is that they accepted in good faith the commitment of the Congress.

Mr. YATES. You say even if it is an authorization, you think the Appropriations Committee ought to put it in, is that what you are saying?

Mr. STOVALL. Yes, sir.

Mr. YATES. Mr. Montoya says, please don't; right?

Mr. MONTOYA. That is correct.

Mr. YATES. Okay. Now, I interrupted you. Did you want to say something about what he said or is this the way we ought to leave it?

Mr. MONTOYA. He explained the case very eloquently. The only issue that we see is what was voted on by the people of the two governments. What was voted on was the Compact.

Mr. YATES. As I understand, it was voted on twice. They voted on an initial legislative proposal and then there was an affirmative answer of that later on.

Mr. MONTOYA. No, sir.

Mr. YATES. That is not true?

Mr. Montoya. It was a document. I don't want to get into Mr. Berg's business, but I think it is important to go through the chronology again.

Mr. Berg. Mr. Chairman, picking up on your question if we may have another moment.

Mr. Yates. You may.

Mr. Berg. When the Compact was negotiated, it contained only the negotiated text in Title II. That is what people voted on.

Mr. Yates. What you are telling me is the plebiscite was on the original proposal.

Mr. Berg. That is right.

Mr. Yates. And changes that were made were approved by the various Congresses.

Mr. Berg. But what our Congress changed in the Compact when they approved it, what Congress actually amended was the trade and tax provision. It reduced the value of the trade and tax provisions to the Micronesians and inserted in lieu thereof the compensatory adjustments that are set forth in Section 111, and the administration is seeking to implement them in accordance with the congressionally determined schedule.

Aside from that transaction, and as an addition not involved in negotiations and not involved in terms of what we had always considered to be the balance of the Compact, Congress authorized some additional funds for specified additional purposes.

No overt commitment is made in the legislation for funding of those. They are by their own terms. They state themselves to be authorizations. So that is what we are not seeking funding for. But that is not tied up in the negotiations or in the compensation arrangements that our own legislation made.

COLLEGE OF MICRONESIA

Mr. Yates. All right. Are you still looking at the possibility of funding the College of Micronesia outside the Compact, Mr. Montoya?

Mr. Montoya. No, sir.

Mr. Yates. You leave that to them?

Mr. Montoya. Yes.

Mr. Yates. You know that?

Mr. Stovall. We are aware of that, Mr. Chairman, but we certainly hope we can obtain funding for it from the Congress.

Mr. Yates. What were the discussions on that which were inked into the document?

Mr. Montoya. In the section dealing with health and education?

Mr. Berg. None insofar as the College of Micronesia is concerned, except for the fact the Compact provides, as was pointed out earlier this morning, that students presently studying can continue to receive Federal assistance for the duration of their careers and a number of these are at the College of Micronesia.

So it will continue to receive that support.

CONGRESSIONAL CHANGES TO COMPACT

Mr. YATES. In other words, what you are saying is whatever additions were made by the Congress after the original plebiscite are not going to be recognized by the administration?

Mr. MONTOYA. That is correct.

Mr. YATES. Then what is the purpose of the congressional additions?

Mr. MONTOYA. They certainly run up our budget.

Mr. YATES. That is true, but they run up your budget for a purpose. The Congress said that the original action should be implemented by various additional provisions. The Congress acted on that and the President signed it, didn't he?

Mr. MONTOYA. He signed it, but I would liken it to contracting to have a house built. A house is built at $100,000 and that is the price that is quoted.

Mr. YATES. You are lucky if you can get that house for $100,000. What usually happens is you usually have to provide for additions to that house. You are going to pay for the additions as well as for the original house; aren't you?

Mr. MONTOYA. But the person that is moving into that house would have to pick up those additional niceties.

Mr. YATES. Well, that is not necessarily true. If the person moving into the house doesn't get the additions unless he asks for them.

Mr. MONTOYA. If the house was agreed upon at a certain price and that was the agreement that was consummated, then it is set. Any add-ons have to be borne by the person that is moving in.

Mr. YATES. Then what is the purpose of the additions quoted by the Congress and signed into law by the President?

They just have no significance at all?

Mr. MONTOYA. Mr. Chairman, in my tenure in this position, one thing I am absolutely positive about is that the more Congress gives to the governments, the more dependent we make those governments on the Federal Government and that is not what the purpose of the Compact of the Free Association was about.

Mr. YATES. I agree with that except when the Congress passes a law, what do you do with the law?

Mr. MONTOYA. Where it appropriates funds, we will expend those appropriated funds where it authorizes. The Congress has the wisdom of which issues to appropriate and which issues to leave as authorizations.

Mr. STOVALL. Mr. Chairman, can I just add one thing?

Mr. CHRISTIAN. He speaks English better than I do so you go ahead.

Mr. YATES. With a southern accent.

Mr. STOVALL. One point ought not to be overlooked. There is nothing on this list of add-ons that has not been a live issue presented over and over and over again by the Micronesian Governments for years.

Mr. YATES. That is true.

Mr. STOVALL. Much of which has been more or less accepted by the administration as a worthy project, but they have never gotten around to funding them. One thing, though, back when the financial package of the Compact itself was first negotiated, all these things were requested by the Micronesian negotiators. The response from the administration when they had developed the best package they could accept was that there would be a transition period during which all these leftover responsibility items would be taken care of.

So it was on that basis that the original agreement was reached and the understanding then of the Micronesians was these items would be taken care of.

Mr. YATES. All right. Let's leave the record as it is now and you have a difference of opinion. The Appropriations Committee will consider that.

We will have some questions that we will ask you to provide, too. Is there anything else you want to tell us before we go on to the next segment?

Mr. CHRISTIAN. Mr. Chairman, I just wish to state for the record, since it has been brought up. I have tried purposely to avoid having to put a grave on territorial administration prior to the contract period, but since the subject has been brought up, I wish to say that the foundation on which Mr. Montoya referred the house to be built on is not proper.

It would take the better part of the first five years of the Compact to get the infrastructure, get all the problematic areas which were never met as far as we are concerned.

We would like to take at least the first five-year period and correct and build, add to this infrastructure before any permanent cut-off of Federal programs occur. For Federal programs services to be cut off right now would be premature.

Mr. YATES. Okay. Thank you.

Mr. OLTER. Thank you, sir. Thank you very much.

TUESDAY, APRIL 29, 1986.

THE REPUBLIC OF PALAU

WITNESSES

HON. FRANZ REKSID, MINISTER OF ADMINISTRATION, REPUBLIC OF PALAU

HARUO WILLTER, SPECIAL ASSISTANT TO THE PRESIDENT

NORIWO UBEDEI, WASHINGTON REPRESENTATIVE, REPUBLIC OF PALAU

Mr. YATES. Now we have Palau, and we have Mr. Reksid, Mr. Willter and Mr. Ubedei.

Mr. Reksid, your statement may be made part of the record.

[The statement of Mr. Reksid follows:]

TESTIMONY OF THE HONORABLE FRANZ REKSID
MINISTER OF ADMINISTRATION OF THE REPUBLIC OF PALAU
BEFORE THE
INTERIOR AND RELATED AGENCIES SUBCOMMITTEE
OF THE
HOUSE COMMITTEE ON APPROPRIATION
APRIL 29, 1986

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE, I AM PLEASED TO HAVE THIS OPPORTUNITY TO APPEAR BEFORE THIS COMMITTEE TO ONCE AGAIN REVIEW THE FINANCIAL REQUIREMENTS OF THE REPUBLIC OF PALAU FOR FISCAL YEAR 1987 BUDGET, AND TO DISCUSS OUR REQUEST FOR FISCAL YEAR 1986 EMERGENCY SUPPLEMENTAL FOR PALAU BASED ON COMPACT FUNDING LEVEL. I AM HONORED TO BE HERE SINCE THIS IS MY FIRST TIME TO APPEAR BEFORE THIS COMMITTEE.

WITH YOUR PERMISSION, I WOULD LIKE TO SUBMIT FOR THE RECORD THE NAMES OF THE PALAU DELEGATION TO THESE CONGRESSIONAL HEARINGS.

MR. CHAIRMAN, I WOULD LIKE TO BEGIN BY THANKING THE UNITED STATES CONGRESS, ESPECIALLY THIS COMMITTEE, FOR ITS GENEROSITY AND SUPPORT OF THOSE APPROPRIATION REQUESTS WHICH WE MADE TO THIS CONGRESS IN PRIOR YEARS. MOST RECENTLY, THE FUNDS MADE AVAILABLE IN FISCAL YEAR 1986 FOR THE POWER PLANT EMERGENCY GENERATOR AND THE FIRST INCREMENT OF THE NEW PALAU NATIONAL HOSPITAL.

FISCAL YEAR 1986 EMERGENCY SUPPLEMENTAL

MR. CHAIRMAN, IN REVIEWING THE BUDGET REQUEST SUBMITTED BY THE ASSISTANT SECRETARY OF THE INTERIOR FOR TERRITORIAL AND INTERNATIONAL AFFAIRS WHICH IS NOW BEFORE THIS COMMITTEE, WE FIND THAT THE REPUBLIC OF PALAU WAS NOT INCLUDED IN THE DEPARTMENT'S EMERGENCY SUPPLEMENTAL REQUEST FOR FISCAL YEAR 1986 BUDGETS UNDER THE COMPACT OF FREE ASSOCIATION. WE UNDERSTAND THAT THIS WAS DONE BECAUSE AT THE TIME OF BUDGET PREPARATION, THERE WAS NO LEGISLATION BY THIS CONGRESS APPROVING THE COMPACT OF FREE ASSOCIATION FOR THE REPUBLIC OF PALAU. HOWEVER, MR. CHAIRMAN, SERIES OF EVENTS LEADING TO THE APPROVAL OF THE COMPACT FOR THE REPUBLIC OF PALAU HAVE TAKEN PLACE DURING RECENT MONTHS.

THE SUBCOMMITTEE, I AM SURE, IS WELL AWARE THAT THE REPUBLIC OF PALAU HAS COMPLETED ITS APPROVAL PROCESS OF THE COMPACT AND THAT PRESIDENT SALII HAS TRANSMITTED IT TO THE UNITED STATES AND THAT PRESIDENT REAGAN HAS SUBMITTED THE DOCUMENT TO THIS CONGRESS FOR ITS REVIEW AND CONSIDERATION. APPROPRIATE COMMITTEES OF THE U.S. CONGRESS ARE CURRENTLY CONDUCTING PUBLIC HEARINGS ON THE COMPACT DOCUMENT AND WE HOPE THAT IT WILL BE APPROVED AND IMPLEMENTED WITHIN THE CURRENT FISCAL YEAR. WE ARE PREPARED TO JOIN OUR FRIENDS FROM THE RMI, FSM AND CNMI TO THE U.N. NEXT MONTH TO SEEK TERMINATION OF THE TRUSTEESHIP AGREEMENT. WE, THEREFORE, ARE REQUESTING

A FISCAL YEAR 1986 SUPPLEMENTAL FUNDINGS FOR IMPLEMENTATION OF THE COMPACT RETROACTIVELY TO OCTOBER 1, 1985, FOR THE REPUBLIC OF PALAU LIKE OUR FRIENDS FROM THE RMI AND FSM.

FISCAL YEAR 1987 OPERATIONS BUDGET REQUEST

IN ANTICIPATION OF THE APPROVAL AND IMPLEMENTATION OF THE COMPACT IN FISCAL YEAR 1986, WE ARE PROPOSING THAT FUNDS FOR THE SECOND YEAR OF THE COMPACT BE APPROPRIATED FOR THE REPUBLIC OF PALAU LIKE RMI AND FSM INSTEAD OF THE $10.6 MILLION PROPOSED BY THE DEPARTMENT.

FISCAL YEAR 1987 CIP BUDGET REQUEST

IN ADDITION TO THE COMPACT FUNDS, WE ARE REQUESTING THAT FUNDS BE APPROPRIATED FOR THE TWO REMAINING CAPITAL IMPROVEMENT PROJECTS WHICH WERE PROMISED BY THIS CONGRESS TO THE REPUBLIC OF PALAU BUT HAVE NOT BEEN COMPLETED. I AM REFERRING TO THE SECOND INCREMENT FUNDING FOR THE NEW PALAU HOSPITAL AND THE REMAINING BALANCE FOR THE CAPITAL RELOCATION. REGARDING THE NEW HOSPITAL, I WOULD LIKE TO POINT OUT THAT THE $10 MILLION TOTAL COST ORIGINALLY AUTHORIZED BY THIS CONGRESS LAST YEAR HAS NOW BEEN REDUCED TO $9.7 MILLION, AND WE UNDERSTAND THAT FURTHER REDUCTION MAY BE MADE IN FISCAL YEAR 1987 AS A RESULT OF THE GRAMM-RUDMAN-HOLLINGS ACT. LET ME POINT OUT, MR. CHAIRMAN, THAT THIS HOSPITAL WAS ORIGINALLY

SCOPED AND ESTIMATED TO COST BETWEEN $16 AND $18 MILLION. LATER, IT WAS SCALED DOWN TO $14 MILLION ($10 MILLION FOR THE BUILDING AND $4 MILLION FOR EQUIPMENTS) WHICH, ACCORDING TO EXPERTS, IS THE MINIMUM AMOUNT NEEDED TO PROPERLY PROVIDE FOR AN ADEQUATE FACILITY. HOWEVER, LAST YEAR THE CONGRESS AUTHORIZED ONLY $10 MILLION OF WHICH $5 MILLION WAS APPROPRIATED IN FISCAL YEAR 1986 AND LATER REDUCED TO $4.7 MILLION FOR REASONS PREVIOUSLY STATED. WITH THE $10 MILLION AUTHORIZED WE DECIDED TO PROCEED WITH THE BUILDING AND SEEK FUNDING FOR EQUIPMENT FROM OTHER SOURCES. BUT IF THE $10 MILLION IS FURTHER REDUCED IN FISCAL YEAR 1987, WE WILL END UP WITH AN INADEQUATE BUILDING WITHOUT THE NEEDED EQUIPMENT TO RUN THE HOSPITAL. WE, THEREFORE, ASK THIS COMMITTEE TO SERIOUSLY RECONSIDER OUR REQUEST FOR ADDITIONAL FUNDS FOR A NEW HOSPITAL FOR PALAU BEFORE TERMINATION OF THE TRUSTEESHIP.

ON THE RELOCATION OF THE PERMANENT CAPITOL FOR THE REPUBLIC OF PALAU, I WOULD LIKE TO REPORT TO THE COMMITTEE THAT UNDER RPPL NO. 1-70, A COMMISSION HAS BEEN ESTABLISHED TO WORK ON THE SITE SELECTION, INCLUDING THE COST OF FACILITIES AND OTHER RELATED RELOCATION COSTS. BY LAW THIS STUDY MUST BE COMPLETED BY THE END OF THIS YEAR AT WHICH TIME WE WILL BE READY TO OBLIGATE THE REMAINING BALANCE OF THE CAPITAL RELOCATION FUNDS. WE, THEREFORE, REQUEST THAT THE FUNDS BE APPROPRIATED IN FISCAL YEAR 1987.

NATIONAL DEVELOPMENT PLAN

AN INTEGRAL PART OF THE COMPACT AGREEMENT IS A NATIONAL DEVELOPMENT PLAN THAT WILL TRANSLATE THE ECONOMIC PACKAGES INTO PROGRAMS BENEFICIAL TO THE PEOPLE OF PALAU. I AM PLEASED TO REPORT TO THE COMMITTEE THAT WE ARE NOW IN THE FINAL STAGE OF THE PREPARATION OF THAT PLAN, AND WE EXPECT TO COMPLETE SUCH PLAN WITHIN THE NEXT 120 DAYS. THE PLAN WILL FORM THE BASIS FOR OUR POLICIES REGARDING THE PROMOTION OF OUR ECONOMIC AND SOCIAL ADVANCEMENT. AS SUCH, IT WILL IDENTIFY PROBLEMS HINDERING DEVELOPMENT AND WILL FORMULATE SPECIFIC STRATEGIES FOR OVERCOMING SUCH PROBLEMS. IT WILL PROVIDE THE GUIDELINES AND RATIONALE FOR THE PRUDENT ALLOCATION OF OUR LIMITED FINANCIAL RESOURCES. THE DOCUMENT WILL ALSO SERVE AS AN INSTRUMENT TO SECURE CONFIDENCE FROM FRIENDLY COUNTRIES AS WELL AS POTENTIAL PRIVATE FOREIGN INVESTORS FOR PARTICIPATION IN THE PROMOTION OF OUR LOCAL ECONOMIC DEVELOPMENT.

TRANSITION AND TECHNICAL ASSISTANCE

THE REPUBLIC OF PALAU IS CONCERNED ABOUT CERTAIN PROGRAMS WHICH WE FEEL ARE THE OBLIGATIONS OF THE UNITED STATES GOVERNMENT BASED UNDER EXISTING LAWS OR COMMITMENTS PREVIOUSLY MADE TO OUR PEOPLE BUT REMAIN UNFUNDED. I AM REFERRING TO THE OUTSTANDING MEDICAL REFERRAL BILLS, THE PRIOR YEAR SERVICE BENEFITS, AND THE OUTSTANDING WAR CLAIMS. WE ARE, THEREFORE, REQUESTING THAT SOME KIND OF TRANSITION FUNDS BE APPROPRIATED TO SETTLE THESE OBLIGATIONS SEPARATE FROM COMPACT FUNDS.

WE ARE ALSO REQUESTING THAT THE CURRENT TECHNICAL ASSISTANCE PROGRAMS BEING PROVIDED BY THE DEPARTMENT OF THE INTERIOR TO THE REPUBLIC OF PALAU BE CONTINUED UNTIL AN EFFICIENT PROGRAMS OPERATIONS UNDER THE COMPACT HAS BEEN DEVELOPED AND FULLY IMPLEMENTED.

GRAMM-RUDMAN-HOLLINGS ACT

FINALLY, MR. CHAIRMAN, I WOULD LIKE TO REPORT THAT THE NET EFFECT OF THE GRAMM-RUDMAN-HOLLINGS ACT ON THE FISCAL YEAR 1986 BUDGET FOR THE REPUBLIC OF PALAU WAS A DECREASE OF $500,000 FROM OPERATIONS ACCOUNT AND $300,000 FROM CIP ACCOUNTS. THESE REDUCTIONS HAVE SERIOUSLY AFFECTED OUR CASH FLOW TO THE POINT WHERE WE ARE NOW UNABLE TO MEET OUR REGULAR PAYROLL WITHOUT BORROWING MONEY FROM THE BANKS. WE, THEREFORE, URGE YOUR COMMITTEE TO APPROVE FUNDS FOR FISCAL YEAR 1986 BASED ON COMPACT FUNDING LEVEL FOR THE REPUBLIC OF PALAU. BY DOING THIS, WE SHOULD BE ABLE TO MEET ALL OF OUR FINANCIAL OBLIGATIONS FOR THE REMAINDER OF FY 1986, INCLUDING THE HARDSHIPS IMPOSED BY GRAMM-RUDMAN-HOLLINGS ACT.

AGAIN, ON BEHALF OF THE PRESIDENT OF THE REPUBLIC OF PALAU AND THE PALAU DELEGATION PRESENT HERE TODAY, I WOULD LIKE TO THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOUR

COMMITTEE AND REQUEST YOUR FAVORABLE CONSIDERATION ON OUR BUDGET REQUEST. WE ARE NOW READY TO ANSWER ANY QUESTIONS THE COMMITTEE MAY HAVE. THANK YOU.

PALAU FINANCIAL CONDITION

Mr. **Yates**. What is the current statement of Palau's financial situation? Are you going to be in potentially serious deficit position?

Mr. **Reksid**. Mr. Chairman, I believe so.

Mr. **Yates**. What kind of deficit position will you be in?

Mr. **Reksid**. In a very appreciable situation.

Mr. **Yates**. Do you know the amount?

Mr. **Reksid**. Right now, we are talking about——

Mr. **Willter**. Mr. Chairman, if I may answer that question. We have ongoing now the Touche Ross audit that will confirm these figures. That shall be completed in May.

As of fiscal year 1984, we had accumulated a deficit of $5 million since the inception of the Constitutional Government.

Mr. **Yates**. What is the reason for the deficit? Is that a failure of Mr. Montoya or is that your failure? Neither circumstance, typhoon or what?

Mr. **Willter**. Yes, sir. As you recall——

Mr. **Yates**. Is this the power thing again?

Mr. **Willter**. No, sir.

Mr. **Yates**. That is taken care of?

Mr. **Willter**. Yes, sir. We will get to that power situation.

Mr. **Yates**. Okay.

Mr. **Willter**. Since the inception of the Constitutional Government of Palau, as you know, we have appeared before this committee and testified a number of times.

We were faced with strikes by employees in Palau. We had legislation enacted to raise the salary about 50 percent in 1982 and again in fiscal year 1983. That was the main cause of the deficit.

Ever since fiscal year 1983, we have been trying to raise the level of our local revenue to accommodate this deficit. Since that time, we have not been able to completely wipe out the deficit. It has been held at that level up to this point in time.

We hope to be able to get rid of the deficit if we get the Compact funding level.

PALAU HOSPITAL

Mr. **Yates**. What is the status of the hospital construction?

Mr. Montoya, do you know that?

Mr. **Montoya**. The A&E has been completed.

Mr. **Yates**. Have you started construction yet?

Mr. **Willter**. No, sir.

Mr. **Yates**. Do you think they ought to get money to start the construction?

Mr. **Montoya**. They have already received $5 million and they anticipate the starting of construction in October, I believe.

Mr. **Yates**. Do you need any more than the $5 million? How much will the hospital cost?

Mr. **Willter**. The project is now ongoing. The design, and the A&E tells us that the hospital will cost $14 million.

Mr. **Yates**. $14 million.

Congress agreed last year to provide $10 million for the hospital construction. We made $5 million available. Why hasn't that been obligated?

Mr. MONTOYA. Why hasn't it been requested?

Mr. YATES. Yes. It is in the 1986 budget, obligated. Now their A&E is completed. Shouldn't they be beginning construction with the $5 million?

Mr. MONTOYA. I think Mr. Solomon just had a meeting with the architects that are working on this.

Mr. SOLOMON. I was in Palau recently, Mr. Chairman, and they have an A&E design for the $14 million. This is what they originally requested in last year's budget.

Mr. YATES. Is that what A&E covers?

Mr. SOLOMON. Right. They have to do some rescoping of the design to bring it down within the $10 million level. So that is what they are currently doing.

Their projected schedule which they gave me last month, calls for them to go out for bids and be ready for construction in October. They can initiate construction on the increment of $4.7 million.

Mr. YATES. What is the difference between the $14 million and the $10 million? I know it is $4 million, but in terms of the hospital.

Mr. SOLOMON. They think they could take the majority of it out of equipment by trying to hold beginning equipment cost between $2 and $3 million, which is normally the cost of hospital equipment. They will try to get that funding through the Compact money that Palau will receive.

Mr. YATES. Was there a question of the size of the hospital, number of beds?

Mr. SOLOMON. In general, yes, there was. They are going to rescope some of that, but they didn't think any major structural changes would have to be made.

Mr. YATES. What he is telling me is your A&E isn't complete now for a $10 million hospital.

Mr. WILLTER. Yes. Mr. Chairman, we do have the complete A&E for the $14 million.

We realize that this committee authorized a total of $10 million last year of which $5 million was made available in 1986. That $5 million has since been reduced to $4.7 million.

Mr. YATES. By Gramm-Rudman?

Mr. WILLTER. Yes, sir.

Now, the problem we are having, sir, is in the construction part of it. The mobilization cost of people going down there to construct this hospital is such that they will not go for just partial funding of the hospital contract at $4.7 million.

They would like to have some kind of assurance from us to cover the total cost of the hospital. That is partially our problem.

Mr. YATES. How are you going to get their extra $300,000? Ms. McCoy?

Ms. McCOY. Yes. The plans that they have now are currently being reviewed by OICC. That is the Navy Office of Construction.

I think that Mr. Jordan, the head of CIP, can speak to the subject, too.

Mr. Yates. Mr. Jordan.

Mr. Jordan. Mr. Chairman, based on discussions I had with Palau officials as recently as two weeks ago, they can bid the project at $4.7 million and have additive bid items and a scheduled bid structure so that when the money comes later, the additional $5 million, they can add that into the contract.

Mr. Yates. But the witness has testified that he can't find anybody who will bid it at $4.7 million. Isn't that what you are saying?

Mr. Willter. This is as recent as a meeting last Sunday with our San Francisco A&E.

Mr. Jordan. You never know until you bid it.

Mr. Yates. You never know until you bid it.

Suppose you can't get a contract for $4.7 million?

Mr. Jordan. You wait for the additional money to increase the funding package for it.

Mr. Reksid. Mr. Chairman, if I may, I believe that Palau does not wish to face the same situation that the Northern Marianas is facing right now with the new hospital construction.

They have been given piecemeal funding, and therefore, it has caused a delay in the completion of the hospital. It has been delayed one year——

Mr. Yates. Has the delay increased the cost?

Mr. Reksid. It does increase the cost. Like Mr. Willter is saying, for a construction company to come in and not be assured of the total package project, it would give them a feeling of hesitation to proceed with the program.

Mr. Yates. Well, they have been cut back $4 million by the Congress last year. Now Gramm-Rudman comes along and cuts them back another $300,000.

Would you object terribly if the committee put the $300,000 in its next budget?

Mr. Montoya. The issue on all of these hospitals has been pretty much the same, Mr. Chairman. In every instance where we have built a hospital, we have built these overscaled facilities.

Mr. Yates. Is that true in Palau, too?

Mr. Montoya. I thought so last year when I testified in opposition to it. I still think so.

Mr. Yates. You think it is overbuilt at $10 million rather than $14 million?

Mr. Montoya. I do. People heal people, not buildings.

Mr. Yates. You sound like the NRA.

Mr. Montoya. I see hospitals being appropriated, but there is no consideration made for the staffing of those hospitals.

We have a perfect example in the Northern Marianas where we spent something like $28 million for the hospital and we are having a devil of a time finding staff to staff that hospital. So we are going to have this beautiful facility but nobody to heal people.

PALAU HOSPITAL STAFFING

Mr. Yates. What about that, Mr. Tenorio? Is he still here or is he gone?

Well, tell us. Are they not going to be able to staff the hospital?

Mr. Montoya. It is going to be difficult.

Mr. Yates. Do you know anything about the Northern Marianas?

Mr. Reksid. In the case of the Northern Marianas, Mr. Chairman, the situation is slightly different because of their political relationship with the United States. That hospital was reviewed on the basis of applying the United States accreditation standards so they would be eligible for medicare/medicaid programs. Otherwise, the hospital would not be qualified for those funding programs.

Mr. Yates. You don't have to worry about that?

Mr. Reksid. Therefore their staffing patterns were reviewed on that basis and that is why they were told that they have to increase their staff by so many nurses, doctors and so forth per population ratio.

In the case of Palau, yes, we wish to achieve those standards, but that is not the basic criteria.

Mr. Yates. Would you be able to staff your hospital?

Mr. Reksid. Right now, we do have enough staffing. If you look at statistics and staffing patterns in all Micronesian hospitals, Palau has the highest graduate nurses staffing in its hospital. So, yes, we do.

Mr. Yates. Well, now, Mr. Montoya, the new hospital won't be any larger than the old one, will it?

Mr. Montoya. It will be essentially the same size.

Mr. Yates. So if you have got a staff for the present one, why won't the staff be good for the new one, the same size? So the Northern Marianas comparison isn't apt?

Mr. Montoya. I think more than that it is a question of design, Mr. Chairman. When the committee approved the $5 million out of last year's budget for the hospital, we worked with the engineers and the like, and I think we proposed to them that it should be a phased-in hospital.

Mr. Yates. All right. This all came from my question as to why it won't be appropriate for this committee to put the $300,000 in the Gramm-Rudman strike-out, so they could at least get $5 million to start with.

Is there any question they need $5 million?

Mr. Montoya. They do need $5 million.

Mr. Yates. Is there any question but they will need $5 million to start the hospital? Suppose they start at $4.7 million; can they build a hospital for $4.7 million?

Mr. Montoya. I think they could get a start on it.

Mr. Yates. What is the total cost going to be? It is going to be $10 million.

Mr. Montoya. I guess that is what it is going to be bid at.

Mr. Yates. That is what the Congress approved, didn't it?

Mr. Solomon. Yes, that is what you approved.

Mr. Yates. Has Gramm-Rudman affected that?

Mr. Solomon. Yes.

Mr. Yates. A four point three percent reduction. We have talked about that hospital enough.

PALAU POWER PLANT

What about the power plant? What is the status of that? Have you gone back to the British on that?

Mr. **Montoya**. As I mentioned this morning, Mr. Chairman, we put in another generator and engine in the existing power plant that was meant to tide them over until the British power plant would come on line.

The current estimates are the latter part of July.

Mr. **Reksid**. August.

Mr. **Willter**. August.

Mr. **Yates**. It comes on line in August?

Mr. **Montoya**. The British power plant.

Mr. **Yates**. If that is true, do you still require maintenance funds for fiscal year 1987 for the existing power plant?

Mr. **Montoya**. I think we have adequate funds right now to take care of the existing power plant until the British plant comes on line.

Mr. **Yates**. Anything else you want to tell us?

The hospital is the biggest thing, isn't it?

Mr. **Willter**. Yes, sir.

Mr. **Yates**. Thank you very much. Appreciate your coming in. We will try to be helpful.

Tuesday, April 29, 1986.

BIKINI

WITNESSES

JONATHAN WEISGALL, LEGAL COUNSEL TO THE PEOPLE OF BIKINI
HENRY J. KOHN, CHAIRMAN, BIKINI ATOLL REHABILITATION COMMITTEE
MAYOR TOMAKI JUDA
SENATOR HENCHI BALOS

BIKINI RESETTLEMENT

Mr. **Yates**. Now we have Mr. Weisgall.

How are you doing? Mr. Weisgall, how do you want to go forward with this? Do you want to hear Dr. Kohn first and find out whether your people can go back there?

What do you think, Dr. Kohn? Can the Bikinians go back to their homes?

Dr. **Kohn**. Let's see.

Mr. **Yates**. Is there somebody from the Department of Energy here too? You have been working with Energy, right?

Dr. **Kohn**. Right.

Mr. **Yates**. You and Energy are in agreement.

How do you stand with Dr. Kohn, or how does he stand with you?

Mr. **Montoya**. As far as I know, very well. I have assigned Larry Morgan to work with the BARC group and I have been to Bikini and Eneu and we feel comfortable with it.

Mr. **Yates**. Go ahead.

There was a question here as to whether the standards established by the Department of Energy would prevent the people from going back to Bikini and you were to find out whether those standards were so rigid that they were correct or incorrect.

Is my memory right on this?

Mr. MORGAN. No, sir. I think that was about Enjebi.

Mr. YATES. What about Bikini?

Dr. KOHN. BARC, which is the acronym for the Bikini Atoll Rehabilitation Committee reported on its findings for this period——

Mr. YATES. Dr. Kohn, I have got to answer a phone call before you start. So just relax for another few minutes.

Dr. KOHN. BARC issued its report, as it had promised to do so, on March 31, 1986. Whatever I say here today is based on that report. So it is BARC that is speaking.

To make it brief, I am going to make four or five simple statements and then you can ask me questions.

I should say for those who are not acquainted with the details of this that Bikini Atoll has two principal islands, Bikini Island and Eneu Island, of which Bikini is the traditional seat of the population, but Eneu is also a traditional place for habitation as well.

The work that has been done to examine the situation out there is largely the product of the Lawrence Livermore Laboratories team which has been examining this under DOE support for a number of years.

More recently, BARC came into the picture and we are now contributing about 40 percent of the budget of the DOE team and we have coordinated our programs so that there is one unified attack on this problem of deciding how much contamination is now residual there and on what basis the contamination can be controlled.

The opinions I express here today are BARC opinions, not necessarily those of DOE, I might say. In order to ensure our independence, we have recalculated all the dosages on our own with our own expert, and those calculations are laid out in detail in our report so that anybody who wishes to recalculate them or modify them can easily do so.

Now, with that as a background, the first question BARC has asked itself is, can Eneu Island be settled now? The answer is, as it has been several times before when I have spoken here, yes.

The next question would be, can Bikini Island be resettled now, and the answer to that is, no, if the people are to live there in their traditional way, growing their own crops and eating them.

So with respect to Bikini, then, we are carrying on a program in collaboration, really coordinated with the DOE program via the Lawrence Livermore Lab.

Mr. YATES. May I ask a question? If not now, when?

Dr. KOHN. I am going to get to that within two minutes.

Mr. YATES. You can see how anxious I am.

Dr. KOHN. I am trying to be efficient, sir, and answer all of your questions in advance.

Mr. YATES. I am trying to be constructive.

BIKINI REHABILITATION

Dr. KOHN. With respect to Bikini, our problem has been to figure out, if we can, what methods there are for controlling the contamination on that island, the contaminants getting into the food web, the people eating them and thereby getting their dose of radiation.

There are, as far as we can see, four methods. You can do nothing and if you wait 80 years the problem will solve itself. Nobody wants to wait 80 years.

The second method is to remove by excavation one foot of top soil, throw that soil away, and grow your plants in the soil that is left. That experiment has for all practical effects, been done. It is not complete, but we know the answer.

We recommended removing one foot. Lawrence Livermore has removed a little more than one foot. They have grown crops there. You can eat those crops that are growing. The full range of crops has not yet been harvested, but for what has come out thus far, we feel confident that our projections for that method have been realized.

That method, however, as you can see, has a major disadvantage. You are taking off a foot of soil. It is a costly, awkward situation. You then have a denuded island. You have to grow back the trees. It will take a number of years to grow back the vegetation, et cetera.

The other two methods that Lawrence Livermore has been working on are, first, to wash the islands' surface, wash it down with sea water. You simply sprinkle a lot of sea water all over the surface of the island and see if that will take the contaminants out. That method, to my amazement, has produced positive results.

The first round of crops that have been sampled from this experiment have shown a very positive result, that the contamination level in the coconuts in this case has been reduced tremendously.

What we don't know of course is how long such an effect will last. Because strangely enough, the method does not wash the contaminants out of the soil. The soil level of contaminants is practically the same as before the washing. So what the mysterious effect is remains to be determined, but it does prevent the contaminants from going up into the plants.

Needless to say, BARC is somewhat skeptical, although intrigued, and this experiment is being repeated in several different ways. For that reason, therefore, we cannot give you a positive answer now, because if this really is true, then this could save a lot of money and a lot of time.

Mr. YATES. You are going to have to grow your crops under sea water, then, aren't you?

Dr. KOHN. Yes. It will be a marine venture you see. For better or for worse, that is that. Now this is——

Mr. YATES. That is three methods so far.

Dr. KOHN. Now, the fourth method is to use a lot of potassium rich fertilizer or potassium salts on the soil. This has a rationale which we don't have to go into. Whether the rationale is right or not, it has shown a major effect. That is, if you have a lot of potassium added to the soil, then the plants you grow in that soil apparently take up very much less of the contaminants, the chief one being cesium.

We don't know really how powerful this method is and we certainly don't know how long lasting it is, because again, it does not get rid of the contaminants. It merely prevents their entrance into the food way.

So if one wants to take advantage of these positive findings of the sea water washing and the potassium treatment, then the only way you can do it is to stand around and wait to see what happens with more time.

Do you have to re-treat? What is the schedule of re-treat, or if you don't re-treat, does the contamination taken up by the plants come back again?

There is no way of rushing it. We, the committee—I am talking about the committee now, not the enthusiastic scientists from Lawrence Livermore—the committee feels that one certainly would want to wait another year, year and a half, something like that for some repetition and more samplings from the field trials before one could stand up on one's feet here at Congress and say, "Well, take your choice now among these methods depending on how you see it."

Obviously, the sea water treatment and potassium treatment would be cheaper than the method of excavating the soil. On the other hand, they would have the disadvantage, I suppose, that they would have to be repeated over a period of time.

Mr. YATES. What do you want to do with the Bikinians?

Dr. KOHN. Sir, that is a problem which does not fall within BARC's province, unless you suddenly enlarge—we were told not to give advice in the beginning, but to give facts.

Mr. YATES. What should we do? Ask Mr. Weisgall that question?

Dr. KOHN. Yes. I just want to add one or two things more and then this will be complete.

Mr. YATES. Sure.

BIKINI RESEARCH

Dr. KOHN. Now, the Department of Energy which runs Lawrence Livermore; which therefore, runs this program—this team—that is doing the islands has, according to what we have been told, decided to discontinue the laboratory which does all of this work at the end of this fiscal year. In other words, come September 30, there won't be any more lab at Lawrence Livermore.

I have inquired and I have written in a letter, if I may be so bold as to point that out, that they are about to discontinue a laboratory which at last is going to produce some simple practical results.

My influence, I think, with the Department of Energy may be rated as not very great. So I don't know the outcome.

Mr. YATES. I think we can talk to the appropriate Appropriations Subcommittee on this.

What is the cost of continuing the experiment at Lawrence Livermore, have you any idea?

Dr. KOHN. I won't predict what the future is. It ought to be less than in the past, but their whole budget on this score was something like, I would say, $2.5 million. We put up one million—these are rounded numbers, you understand—and they put up one and a half million, and that has kept this lab going. It is that magnitude.

It could be cut down because the Government wants to economize. But it should be negotiated and obviously not by some person like myself who shouldn't be saying anything about it.

Now, that is the chief news there. What else is there? The other thing I would say is if any of these things go through, then the people of Brookhaven, as you know, have a monitoring program in which they monitor how contamination gets into, say, the Rongelap and so forth, how that is effected.

I am just suggesting now in making future plans, remember this Brookhaven program, if it is still going, and tie it into this thing somehow or another, so they can monitor this rather than setting up some extra additional facility for that work. You people are aware of this.

BIKINI SOCIOECONOMIC FACTORS

Now, the final thing I wanted to say about this is that our report has a fairly long section on socioeconomic factors. There are just two things I want to point out about that.

I think the single most important factor, we mentioned this some time ago, but this report brings it out again among many other things, is the fact that Bikinians have a population growth rate of 5 percent and that is perhaps the largest growth rate of any population being followed in the world today. So whatever has happened by putting them—they started at 167, left the island in 1946, the Atoll, and today they number some 1,200.

So the socioeconomic planning is going to be an important factor in whatever plans go forward. I am not saying that the Government should do the socioeconomic planning or who should do it. That is beyond our thing.

But it is very important to remember that this growth rate is an overriding factor, and I mention it because we do have from Congress, a request for a socioeconomic chapter in here, and I would say in many ways that is the single most important sociological factor that is going to enter the calculations that affect these people in the future.

BIKINI RESETTLEMENT

Now, with respect to going back, of course, the question is what the Bikinians want to do. It is their property, not BARC's.

Mr. YATES. I have the impression from Mr. Weisgall they want to go back.

Dr. KOHN. In BARC's opinion, there is no reason——

Mr. YATES. There is no reason why they can't go back to Eneu?

Dr. KOHN. There is no reason why they can't go back to Eneu.

Mr. YATES. Will Eneu support 1,200 people at that growth rate?

Dr. KOHN. It depends how they want to live there, is the answer.

Mr. YATES. I don't know how big Eneu is. How big is that?

Dr. KOHN. Eneu is about half a mile square area. Eneu has a potable water supply. Bikini does not. BARC has been studying this.

It could support probably—well, again, you see, let me start again.

That question of how many people Eneu can support involves many value judgments. Support how? What is the requirement? BARC has taken as its basic policy that we are supposed to lay out the information for the Government on restoration of the Atoll to the equivalent of its original condition.

The other things which can be done for the Bikinians—and I am not arguing against any of this, you understand; I am just trying to lay it out cold—is the fact that the Government, in a sense, owes the Bikinis rent for having used the Atoll.

But that kind of question is outside of the province of BARC. All we can say is that Eneu is pretty much as good today as it was in 1946. So whatever you could do with it, then we presume you can do it now.

We have more knowledge about what would grow on Eneu, because BARC has been studying what plants can be grown there, what the fertilizer is, the requirements and all that sort of thing. So we can give that knowledge to the Bikinians to assist them in whatever they choose to do when they return.

Mr. YATES. What about the other islands, Dr. Kohn?

Dr. KOHN. The trouble with most of the other islands is they are low. Bikini and Eneu run 12–15 feet above sea level. The other islands are three-four feet and they will be swept over.

From the point of view of contamination, roughly half of the Atoll falls in Eneu's class and roughly half falls in Bikinis.

Then you know there are gradations here. So once we solve the problem for controlling contamination on Bikini, that, of course, carries over. If the other islands are desirable for use in one way or another and need some treatment, that can be worked out by extension, as it were.

Mr. YATES. I am not sure where your report leaves us. It leaves us with the Eneu available. It leaves us with Bikini not available.

Is Bikini available if it doesn't grow its own crops?

Dr. KOHN. Yes.

Mr. YATES. So people would have to live there for another 80 years without growing their own crops.

Dr. KOHN. Yes.

Mr. YATES. How do you stop coconut trees from being grown there?

As I remember this story of these people is they have to eat coconuts. If the coconuts are there, they are going to eat them.

Isn't that right, Mr. Weisgall?

Mr. WEISGALL. Yes.

Mr. YATES. Does that mitigate against consenting for them to come back?

Dr. KOHN. There would be two things you could do. You could either cut all the buds on the coconut trees, you could clip them so there wouldn't be any coconuts.

The other thing you can do, of course, if these methods such as sea water or potassium salt treatment work, you could treat the island of Bikini in that fashion.

Mr. YATES. How does that work? How do you get the sea water on it? Do you pump it on it?

Dr. KOHN. You lay down pipes just as you would irrigate the big fields in the Midwest or in California; you have pipes, sprinklers. You pump sea water from the sea and you keep pumping. You lay out, say, a field of 50 acres at a time. You pump enough water on it continuously and you move on to the next one. It is no more complicated than that.

Mr. YATES. How expensive a job is it?

Dr. KOHN. Well——

Mr. YATES. How sure are you of it so far? Are you willing to be convinced on the basis of the one test?

Dr. KOHN. No, I am not. Neither would my colleagues.

When I speak for myself, I am speaking for my colleagues. Just as a matter of principle, in a situation like this, you never believe one test no matter what it was.

Mr. YATES. It seems incredible, doesn't it?

Dr. KOHN. Yes, it does. That is why we want to see this work not over one year or for one shot, but we want to see it work for garden vegetables and for coconut trees. They have laid out an area now where they are testing both on cleared plots.

They are testing it in a grove of coconut trees and so on. But it is going to take a year or two to complete these tests.

Mr. YATES. What is the significance of the sea water test? It is kind of like a pain killer, isn't it? It kind of deadens it for a while, in which case it should be applicable to other forms of nuclear energy, shouldn't it, that you worry about possibly if you put sea water. Can you test other nuclear energy substances with this to see whether or not sea water will get rid of the radioactive quality?

Dr. KOHN. You could, but my guess is, and I am sure the people at Lawrence Livermore would agree, it may be specific for cesium-137, which is the principal contaminant in this case.

The reason is because that is something like the salts in sea water. But why it works is a complete mystery.

The potassium you can understand because potassium is very much like cesium. So if you put a lot of potassium in the soil, the tree can only absorb, or the roots of the tree only absorb so much of this type of atom. The potassium is much more there, so by competition, it gets in and the cesium is left behind.

There may be something like that with the sea water. There is potassium in sea water and sodium in sea water that may have an effect as well.

Mr. YATES. Mr. Weisgall, what do you want to do for your Bikinians?

Mr. WEISGALL. It is a very frustrating problem. I almost feel that Dr. Kohn's committee has, in a sense, created a monster in these two other techniques in that they found them so successful, because it looked like a scrape was the way the committee was going to go.

The one sea water plot, as I understand it, involved irrigating 20 meters high, in other words, 66 feet of sea water. Of course the Bikinians ask themselves, maybe that will solve the cesium problem, but how are we going to grow crops. I leave these kinds of questions to the scientists.

BIKINI RESETTLEMENT

The issue for the Bikinians, as you stated, is, where do we go from here? A year ago, Professor Kohn said about Eneu what he is saying today. Eneu is okay.

Secretary Montoya did not express any problems with the idea of starting something on Eneu. You call it a base camp. You call it resettlement, something like that.

Your committee recommended and the House passed an $8 million appropriation to commence the cleanup of Bikini Atoll by starting with Eneu. It got to the Senate. My general understanding of the position Senator McClure took was there was a settlement of a lawsuit on this issue.

OMB was part of that interagency cleanup. OMB approved the settlement. The President ought to put this money in the President's budget.

Congress ought not to have to add money on. The issue died with the two Houses agreeing to a $237,000 appropriation to start the design work for Eneu. I would like to see the money put back in for beginning cleanup.

I see the problems your committee faces. It is very frustrating. In the last 12 months, we have the Compact which we didn't have last year and we have a provision in the Compact that calls for the cleanup guaranteed by full faith and credit. So we don't have these Gramm-Rudman problems in that sense.

We also don't have the problem that has been discussed a lot today of whether it is an entitlement or an authorization. I think Interior would clearly agree it is an entitlement.

Is that true, Mr. Montoya?

Mr. **Montoya**. Absolutely.

Mr. **Weisgall**. In addition, we have had more and more confirmation from Dr. Kohn's committee on Eneu. He is more and more confident of Eneu. We then are left with what one might almost call a semantic problem.

The lawsuit settlement has three conditions to it, as Mr. Montoya read to you earlier. Number one, a final report from the committee. Well, what I am hearing today, I think we are all hearing is that there is a final report for Eneu. It is okay.

Equally, we are hearing there is not a final report for Bikini. The jury is still out.

ENEU RESETTLEMENT

Mr. **Yates**. Are we hearing a final report on Eneu knowing that, at least in the committee's mind, there is a question as to whether Eneu will support a population?

Mr. **Weisgall**. That is a good question. I think there is always going to be a question whether all of Bikini Atoll, which, after all, supported 167, or up to 199 people in 1946, can support over 1,200 today, especially when large parts of the third largest island have been vaporized.

I think the realistic answer is that the entire Atoll probably could not support the entire population. At the same time, there are Bikinians who are living in the capital of the Marshall Islands today, who probably may not be interested in going back.

I think most of the population wants to go back. I don't think Eneu, which, after all, is about 300 acres or only 50 percent bigger than Kili, which is about 200 acres, realistically could support 1,200 people.

I do think Eneu could be used as a first step for resettlement. And that is really what we would like to see.

Mr. YATES. How much money will it cost them to send the people back?

Mr. WEISGALL. Last year, we gave your committee a budget of $14.4 million and the decision was to appropriate $8 million, the first year of a two-year appropriation. I think that with that amount of money, you can do a lot.

There is an air strip there. It is a pretty good strip. There is very good water on Eneu. That is no problem. In fact, the water people say it is some of the best water in the Pacific.

And there is a very limited infrastructure. There is an old dock that needs some refurbishing and you can put in some housing. It is not a cheap task, but the $8 million would get the project started.

I heard Dr. Kohn say one option is to do nothing and wait 80 years. This is year 40 the Bikinians have been removed, and it is frustrating.

I know you are sympathetic and I share Secretary DeBrum's request. We hope for something more than sympathetic consideration this year.

Mr. YATES. What do you have to say, Mr. Montoya?

Mr. MONTOYA. I couldn't agree with Mr. Weisgall any more.

I visited Bikini. We landed at Eneu and the following day with the Senator and the Mayor, we went down to Kili and I visited with the entire Bikinian population. I made a commitment that was a very clear commitment, and I was very comfortable with it that we would move the people that wanted to move back to Bikini, as soon as possible and as soon as it was safe.

The Eneu issue was something that I had in mind. As we talked last year, and I agree completely with Dr. Kohn, we should move expeditiously to move the people back to Eneu. Because it is a very short distance between Eneu and Bikini, the problem with Eneu is eating the coconuts there on Bikini. But there are two questions that I would like to raise.

First of all, I think Jonathan pointed out that there are several Bikinians that are going to want to stay where they are right now, whether that is Majuro, Kili, Hawaii, or wherever. There are some that are going to want to move back to Bikini.

The question is, how many are going to move. How many would you start off as the pioneers to resettle Bikini, because it is part of the Bikini Atoll? Secondly, I would have to point out that we would view the Eneu resettlement as something that should come out of the resettlement funds that were provided in 1982 as part of the trust fund. It is a resettlement of Bikini. That is all I have to say to that.

I agree that it is an idyllic place. I have seen the three different methods that have been used, and they have a great deal of promise, but again agreeing with Dr. Kohn, I would hesitate moving any people back to Bikini and then have to pull them back out because it was not safe.

BIKINI ATOLL REHABILITATION COMMITTEE

Mr. YATES. Should BARC be continued, Dr. Kohn?

Dr. KOHN. Well, I would say, I think BARC in some form or other should continue as long as the field trials continue.

Mr. YATES. When you talk about field trials, you are talking about the use of sea water?

Dr. KOHN. The sea water and that sort of thing.

Mr. YATES. How much money will they take?

Dr. KOHN. It depends how much money the Department of Energy is willing to put up to support their lab. Without that lab, you cannot continue those trials. So I don't know what those people are planning to do.

I would only venture a comment there. Certainly less money than we have had in the past will keep this committee going.

I think, just remember, a committee is a matter of maybe a hundred thousand dollars a year, something like that. Enough to write the report and visit and inspect, that sort of thing.

The extra money is money we put into these experiments down there. So depending on how much they are going to put in, we will guess maybe you will want to put in something.

All I can say is the whole cost should be less than $2.5 million and maybe it can be run down to a million and a half to finish this off.

Mr. YATES. Mr. Weisgall, you want to tell us anything else?

Mr. WEISGALL. Could I ask clarification from Dr. Kohn? Is it fair to say as far as the committee is concerned, Eneu can be settled today? In your opinion, is there a final report on Eneu?

Dr. KOHN. I say yes. This report starts out with an abstract. I don't have to repeat it. It says Eneu may be resettled now.

Mr. WEISGALL. I know the answer. The settlement agreement to the lawsuit talks about a final report. That is the rub.

In other words, one of the questions here is, should you start with Eneu or should you wait until you have all the answers for the whole Atoll? That is what it boils down to.

Mr. YATES. Don't you have the answers? The report says they can go back to Eneu. The report also says if they wanted to wait 80 years, they can wait 80 years and then they can go back to Bikini.

The other is that it seems to me that discarded now is the scraping off of a foot of the top soil. We thought that was the way to go last year, as you pointed out.

Now, it seems to me you have to continue the research on potassium and the other in order to try to shorten the 80 years, if that is possible. As he points out, that can take much money, assuming we can keep the lab open.

It seems to me you have to file a report except what you do have, too, is just a continuation of the experiments to see whether or not—and I must say I am intrigued with your salt water test because the implications of that to an untrained mind are incredible. If you can do this, maybe what we ought to do to our nuclear dumps is douse them with sea water, depending, of course, on whether you have the cesium.

Dr. KOHN. Exactly.

I want to pick up one other thing. If you do this for another year or two, then you don't commit yourself now as to what you want to do. At that time you can make up your mind as to whether you excavate, we sea water, or we postassium.

[Recess.]

RESETTLEMENT TRUST FUND

Mr. YATES. Mr. Weisgall, you have another couple minutes before we get to Mr. Anderson.

Mr. WEISGALL. I will finish quickly, Mr. Chairman. I will just have a few points. I will make them quickly.

Mr. Montoya said it is the Interior Department's view the Bikinians should use their resettlement trust fund for resettlement activities on Eneu.

I can't let the record go without stating the Compact Section 177 agreement in Article 6 says the United States reaffirms its commitment to provide funds for resettlement, and the lawsuit settlement in Article 1, Section 2, says the United States shall provide funds pursuant to Article 6 of the Compact agreement to assist the people of Bikini in their resettlement.

I think that if indeed it had been the view of the U.S. Government the existing resettlement trust fund be used for those purposes, there would have been no reason to say in the Compact the U.S. shall provide funds, but that is an issue down the road.

Point two: The Bikinians are concerned. They do follow the experiments as carefully as they can. They are concerned about both the sea water and potassium options, simply because neither one will get rid of the cesium in the soil. It is still there.

As Dr. Kohn has said, you don't really know how many years will be needed to apply the potassium or for how many years the sea water washing will be needed. There is a little bit of concern there about the living laboratory problem that was faced back in the 1970s.

That is not to say that the experiment should cease. In fact, I think my guess is Professor Kohn is probably going to recommend a combination of scraping and potassium.

The potassium is helpful for two purposes: It blocks the uptake of the cesium, it helps the crops grow, and that second point is important. The Bikinians do have some concerns.

Mr. YATES. I thought nitrogen was better than potassium for that.

Mr. WEISGALL. I am assuming the fertilizer with potassium does the job.

Dr. KOHN. It is a combination.

Mr. YATES. Go ahead.

Mr. WEISGALL. Point three: The Bikinians do urge you to move forward on Eneu as a first phase of the cleanup and settlement.

A couple other quick points. The Bikinians' resettlement trust fund is limited for expenditure in the Marshall Islands. The Compact, Section 141, does provide now for unlimited immigration to the United States or territories and possessions.

Since this committee was responsible for setting up the trust fund, the Bikinians would like this committee to change that legislation to permit expenditure of trust fund income outside the Marshall Islands so that the trust fund could follow the Compact.

There are Bikinians who, for whatever reasons, are interested in living elsewhere, and they would like the terms of the trust changed. No appropriation is required for that.

Mr. YATES. I am not sure that is a good idea. My immediate reaction is that the fund really is to provide for the return to their homes of the Bikinians rather than travel somewhere else. That is something I will consider later.

Mr. WEISGALL. We have been working with Mr. Montoya on the issue, and there have been several trips to the Northern Marianas to look at land.

SUPPLEMENTAL FEEDING PROGRAM

On my penultimate point on USDA food, the issue is clear, is it entitlement or is it authorization?

Mr. YATES. On second thought, I may be wrong on that, because the fund is being used for Bikinians to Kili and other islands. I answered my own question.

Mr. WEISGALL. Aside from urging this committee to put money in for the fiscal year 1987 budget, I want to point out USDA food would be critical for Eneu.

Mr. YATES. As I understand Professor Kohn's statement about Eneu being safe, there is an option there of the availability of imported food. So the importance of imported food for Eneu remains.

The last point I would simply like Senator Balos to clarify Professor Kohn's point about the other islands in Bikini.

Mr. BALOS. Thank you, Mr. Chairman.

Mr. Chairman, as far back as 100 years ago, our people told us that there was no island—the only time the islands were washed out was in 1954, March 1st, of course, when three islands were not only washed out, but vaporized. I would like to make a correction for the record.

RESETTLEMENT OF ENEU

Having said that, Mr. Chairman, if I may ask a question of Dr. Kohn concerning the safety of Eneu Island. He said it is ready and can be resettled, or at least be screened. May I ask him how safe Eneu is? Can the people go back and live off the island 100 percent?

Mr. YATES. He said yes.

Dr. KOHN. That takes some qualification. In order to estimate the dose that will be received by people going back to resettle an island out there, one must assume diet. In assuming that diet, one must take into cognizance the amount of food the people can grow and their normal living conditions and so on.

On the basis of what we call the planning diet, we calculate the planning dose. The planning dose is okay for Eneu.

Now, then, you can go back to Eneu and if you ate a diet that consisted of nothing but cocoanuts for ten years, nothing but coconuts, you would exceed the permissible dose.

Mr. Yates. For ten years?

Dr. Kohn. Yes. Well, eat for five years and you would exceed the rate. And that is why we have laid out in this report all the details of how the dose is calculated. Otherwise—well, that is the answer to his question.

So we are dealing with a matter of practice, a practical estimate of what will happen. I think that the Bikinians, if you see what they do today, and how they eat and what they do and so forth and so on, I think you will agree that they import a lot of food.

Mr. Yates. I was just going to say, they must grow things other than coconuts, don't they?

Dr. Kohn. Well, I was down on Kili and I did not see extensive gardens there. But that is a question for the Bikinians to answer; it is not for me to speak to this.

The basis on which we have made our judgment is laid out in this report. If the Bikinians feel that the diets used and the safety factors involved in their use are not adequate, then they will change the dose calculation, and they shouldn't go back.

Mr. Yates. Thank you very much.

[The statement of Mr. Weisgall follows:]

STATEMENT OF JONATHAN M. WEISGALL
LEGAL COUNSEL TO THE PEOPLE OF BIKINI
BEFORE THE HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON INTERIOR

April 29, 1986

Mr. Chairman and Members of the Subcommittee:

Thank you for providing the people of Bikini an opportunity to appear before you today. With me are Mayor Tomaki Juda, Nathan Note, Johnny Johnson, Senator Henchi Balos, Mike Jibas and Ralph Waltz.

I. Cleanup of Bikini Atoll

Two years ago, the Bikinians brought suit in federal court seeking to force the U.S. Government to clean up Bikini. Thirteen months ago, in this hearing room, the lawsuit was settled, as the Government stated in a Memorandum of Agreement that the "United States views with favor the rehabilitation and resettlement of Bikini Atoll by the people of Bikini and pledges to the people of Bikini to use its best efforts to facilitate the steps necessary to achieve these objectives."

Under the Memorandum of Agreement, the United States agrees to provide funds under Article VI of the Compact Section 177 Agreement to assist the Bikinians in resettling Bikini Atoll. The agreement also provides that "the United States intends that these funds be used for resettlement activities which, to the maximum extent practicable, contribute to the rehabilitation of Bikini Atoll, and especially Bikini Island." Under the agreement, the availability of these funds depends upon the following conditions:

1. Submission of a final report to Congress by Professor Kohn's Bikini Atoll Rehabilitation Committee;

2. Acceptance by the Bikinians of this final report; and

3. The development of a plan by the United States, in consultation with the people of Bikini and based to the maximum extent practicable on the final report, for the use of these funds.

It was premature last year for the Administration to seek these rehabilitation funds, since the Compact had not yet passed Congress. Nevertheless, your full Committee recommended the appropriation of $9.5 million for the first year of a two-year, $14.4 million initial funding for the cleanup of Bikini Atoll by establishing a base camp on Eneu Island for logistical support for the cleanup. The full House voted to add $8 million to the FY 1986 budget for a base camp on Eneu, but the Senate voted against the measure, and all the two houses could agree on was a $237,000 measure to continue work on planning for the base camp.

How did this happen? Senator McClure, chairman of the Senate Interior Appropriations Subcommittee, took the following position: The lawsuit settlement commits the United States to fund the cleanup and resettlement of Bikini Atoll. The settlement negotiations were conducted within the Executive Branch by the interagency group on Micronesia, of which the Office of Management and Budget is a member. If OMB signed off on the settlement of the lawsuit, funding for the cleanup and resettlement should be in the President's budget; Congress, which is looking for ways to reduce the budget, should not be put in the position of adding on funds for a matter already cleared by OMB.

What has happened in the last twelve months since the Bikinians last appeared before this Subcommittee? Congress has passed the Compact and added a specific provision to strengthen the U.S. commitment to clean up and resettle Bikini. Section 103(l) of the Compact declares it to be U.S. policy to "fulfill its responsibility for restoring Bikini Atoll to habitability." This commitment is specifically "supported by the full faith and credit of the United States." Cleanup and resettlement funding is thus due and owing in the same manner as the full faith and credit requirement mandates the annual appropriations to the freely associated states. This section of the Compact translates a legal document -- the Memorandum of Agreement terminating the lawsuit -- into Congressional law by authorizing the appropriation of funds to implement the settlement agreement as soon as the three conditions are met.

In addition, BARC has issued three reports since last May -- in November 1985, January 1986 and March 1986. As to the main island at Bikini Atoll, Bikini Island, BARC is studying three cleanup methods: The first is to remove the top foot or so of topsoil, which would effectively rid the soil of radioactive cesium-137. The other two methods -- treating the soil with potassium-rich fertilizer and flushing large amounts of seawater through the soil -- would not get rid of the cesium in the soil but might block its uptake from the soil into Bikini's plants. The scientists need to conduct experiments for about two more years before they can begin to determine the effectiveness of these two methods. However, it is clear that neither method would rid the soil of cesium-137. Moreover, no one knows whether this blockage would continue to be effective in the future after fertilizer applications or seawater flushing has ceased. It is for these reasons that the Bikinians favor the soil removal alternative.

As to the atoll's second largest island, Eneu, the scientists have no doubts. For the last two years BARC has stated unequivocally that no radiological cleanup of Eneu is necessary (its levels of radiation are one-eighth those of Bikini's). The island can be resettled now, assuming the availability of imported food.*/

With this background, where do we stand on funding for the cleanup and resettlement effort? The Administration's budget request for fiscal 1987 provides no funds for Bikini cleanup and resettlement.

The Compact is law. BARC has stated repeatedly that Eneu can be resettled now. But there is no money in the President's fiscal 1987 budget to start the cleanup and resettlement process. Why? Some people in the Administration argue that since BARC has not produced a "final report," as set forth in the settlement agreement, no funding is required. Indeed, some in the Administration have suggested that it might be in the U.S. Government's best interests to have BARC stay in business for another few years, thus delaying the issuance of a "final report" and the requirement of cleanup and resettlement funds.

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*/ See BARC Report No. 1 (November 15, 1984) at 15: "Unrestricted use of Eneu and several other islands is now permissible"; BARC Report No. 2 (November 15, 1985) at 7: "BARC's Report No. 1 covering its work for FYs 1983 and 1984 concluded that Eneu may be resettled now"; BARC Report No. 4 (March 31, 1986) at 7: "Eneu may be resettled now."

This is nonsense. BARC has issued its final report on Eneu. BARC has concluded that Eneu is safe, assuming the availability of imported food. More experiments are needed at Bikini Island before recommendations can be made as to the safest and most cost-effective cleanup method. But that fact is no reason to delay the Eneu base camp. Bikini Island will eventually become the main resettlement site, but an Eneu base camp can -- and should -- be started now. The Compact requires it; the lawsuit agreement mandates it. Secretary Montoya sat here last year and told you that he had no objection to an Eneu base camp. If no funding is forthcoming, the Bikinians may be in the position of having to go back to court for the sole purpose of seeking an order forcing the United States to live up to last year's settlement agreement. The Bikinians urge you to do what you did last year -- recommend the appropriation of $9.5 million to provide the initial funding in a two-year, $14.4 million project to establish an Eneu base camp.

II. Resettlement Trust Fund

The Resettlement Trust Fund for the People of Bikini, passed by Congress in 1982 under P.L. 97-257, provides funds "for the relocation and resettlement of the Bikini people in the Marshall Islands, principally on Kili and Ejit Islands." The Bikini people, as you know, have been living "temporarily" on Kili for nearly 38 years, and they do not want to wait on Kili any longer. Recognizing that a cleanup of Bikini could take as long as ten years, some of the people would like to resettle temporarily outside the Marshall Islands until such time as it is safe for them to return to Bikini. Indeed, under Section 141 of the Compact, the Bikinians, like other citizens of the freely associated states, have an absolute right to live anywhere in the United States and its territories and possessions. For several years the Bikinians have asked this subcommittee, which proposed the legislation establishing the Resettlement Trust Fund, to amend the language of P.L. 97-257 to permit resettlement outside the Marshall Islands.

The Interior Department does not oppose this request. In a study issued last year, the Office of Territorial and International Affairs stated that it "does not object to the request from the people of Bikini that

Congress authorize the utilization of the Trust Fund outside the Republic of the Marshall Islands," provided that such revision does not change the requirement of Interior Department approval of distributions of income in excess of $50,000. In fact, at the suggestion of the Interior Department, Bikini leaders recently made two trips to inspect possible temporary resettlement locations in the Northern Mariana Islands.

The Bikinians again urge your subcommittee to amend P.L. 97-257 to permit them to use Resettlement Trust Fund corpus or income to resettle outside the Marshall Islands pending the rehabilitation of Bikini Atoll. This amendment would involve no new expenditure of federal funds, since the trust fund was established under 1982 funding.

III. U.S.D.A. Food

The Compact amendments passed by Congress provide for the continuation, for at least five years, of the U.S.D.A. food program for the people of Bikini. However, the President's FY 1987 budget contains no funds for this program.

The U.S.D.A. food program should continue. BARC's studies have assumed the ongoing availability of imported food at Bikini, so this program will be needed when people return to Bikini Atoll to live. Moreover, Kili and Ejit cannot presently support the food needs of the Bikini people. The U.S.D.A. food program is meant only to supplement the diet, but due to conditions on Kili and Ejit it constitutes a large part of the diet. The people of Bikini already spend nearly 75% of their income to purchase food commercially to supplement U.S.D.A. food shipments, and they urge your Subcommittee to recommend adding $500,000 to the fiscal 1987 budget to continue the U.S.D.A. food program for Kili and Ejit.

* * *

There are two trips scheduled to Bikini in the near future -- one in late May, the other in late June to commemorate the 40th anniversary of Operation Crossroads, the first postwar nuclear tests. Mayor Juda, on behalf of the people of Bikini, has asked me to invite you, other members of the Subcommittee and staff to come to Bikini on one of these trips.

Forty years ago, E. B. White wrote these words about the upcoming atomic tests at Bikini:

> Bikini Lagoon, although we have never seen it, begins to seem like the one place in all the world we cannot spare; it grows increasingly valuable in our eyes--the lagoon, the low-lying atoll, the steady wind from the east, the palms in the wind, the quiet

> natives who live without violence. It all seems unspeakably precious, like a lovely child stricken with a fatal disease.

The United States has waited long enough to fulfill its promise to these people to return them to their homeland when it no longer needed Bikini for nuclear testing. In 1968 President Lyndon Johnson ordered Bikini rehabilitated and resettled "with all possible dispatch," and he stated: "It is our goal to assist the people of Bikini to build on these once desolated islands a new and model community." Eighteen years later, that goal has not been met.

It has been stated for two years that Eneu is safe. Failure to provide funds for the cleanup and resettlement effort for fiscal 1987 will, realistically, delay the chances of funding by another two years. The Bikinians urge you to provide funding so that this long-awaited dream can be realized. I would be pleased to answer any questions you may have.

Thank you.

TUESDAY, APRIL 29, 1986.

ENEWETAK

WITNESSES

DAVID ANDERSON, COUNSEL TO THE PEOPLE OF ENEWETAK
ISHMAEL JOHN, SENATOR
JOHNSON ERNST, COUNCILMAN

ENEWETAK SUPPORT PROGRAM

Mr. YATES. All right. Mr. Anderson, your statement may go into the record.

Mr. ANDERSON. The delegation today consists of Senator Ishmael John, Enewetak's representative to the island, and Johnson Ernst. They and the other members of the Council send their greetings and respects.

Earlier in the day, you received a copy of the resettlement program for Enewetak dated April 1, 1986. It shows what progress has been made.

It shows what problems we made, and most of all, it demonstrates how important to the ongoing life of that community Enewetak support program is. It is really that that I want to talk to you about.

As I understand it, even though there is provision in Public Law 99-239, the Compact of Free Association Act, which continues the Enewetak's support program for five years, there is a question as to whether this is an entitlement or an authorization, and that is an open question at the present time.

I think what I would say is it is very hard to feed people on an open question, and we are gong to have to have a concrete answer to that question.

Mr. YATES. You can't feed them concrete either.

Mr. ANDERSON. That is for sure.

Mr. YATES. Whose statement is this?

Mr. ANDERSON. The statement is the one I prepared on behalf of the people

Mr. YATES. Mr. Anderson's statement you prepared on behalf of the people of Enewetak may go into the record.

[The statement of Mr. Anderson follows:]

STATEMENT OF THE PEOPLE OF ENEWETEK TO THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON INTERIOR

April 29, 1986

Mr. Chairman: The delegation from Enewetak for this year's hearing is comprised of its Senator, Ishmael John, and its Scribe, Johnson Ernest. I am David R. Anderson, of the Washington law firm of Wilmer, Cutler & Pickering, which is counsel to the People of Enewetak.

The question before the Committee is whether or not the United States is going to fulfill the obligations to Enewetak contained in Public Law 99-239, the Compact of Free Association Act of 1985, which was signed into law by the President on January 14, 1986. The Compact Act commits the United States to the establishment of a fund to provide for the resettlement and rehabilitation of Enjebi Island in the northern part of Enewetak Atoll. Enjebi was Ground Zero for most of the nuclear tests conducted by the United States in the 1940s and 1950s at the Enewetak Nuclear proving grounds. Enjebi and two or three nearby coconut islands are the only islands in the atoll which are not yet safe for resettlement. There is still some cesium present in the soil which affects the food chain. It is anticipated that resettlement will be possible in the not-to-distant future, perhaps 20 years, perhaps more, perhaps less. The object of the trust fund is to insure that when the day comes, there will be funds available to build a village, plant the necessary trees and take care of the incidental transitional costs involved.

We ask $10 million for that purpose. Last year, as you know, this Committee approved an initial grant of $2.5 million for the Enjebi Trust Fund. The House of Representatives passed the measure and sent it to the Senate. On the strength of the House action, the Compact Joint Resolution was modified to reduce the amount provided for this purpose from $10 million to $7.5 million. As it turned out, however, the Senate deleted the appropriation. The Conference Committee did not restore it. By that time it was too late to change the language in the Compact Joint Resolution to provide the full $10 million. Thus we are now back to the point where we need the full $10 million and urge that your Committee appropriate that amount.

In support of the request, I cite both the testimony of previous years in which we sought to establish the U.S. obligation to complete the rehabilitation of Enewetak Atoll, and the testimony you have received from the Honorable John F. Seiberling, Chairman of the House Interior Department Subcommittee with jurisdiction over the Trust Territory. In his statement of April 17 he included the establishment of the trust fund as one of four provisions in the Compact Act which create entitlements. As he put it "we were careful in seeing that the language of these provisions was language above and beyond any simple authorization language. We were fairly certain that if we only inserted authorization language for these programs . . . neither this administration nor any other one would ever get around to requesting that appropriations be made."

The language is clear. We ask that your Committee do what the President failed to do - that is, include the funds in the fiscal 1987 budget.

If the creation of the Enjebi resettlement trust fund is the most important outstanding unfunded obligation of the United States, it is probably not the most urgent -- continuation of the food supplement and agricultural programs are. We ask that the programs be continued at their present level of funding for five years as provided in the Compact of Free Association Act of 1985, i.e. at the rate of $900,00 a year (plus the surplus foods from the U.S.A.). Once again, quoting Congressman Seiberling, these programs are entitlements not merely authorizations. Without the money for these programs, moreover, there is substantial doubt that the community on Enewetak and the adjunct community on Ujelang will be able to sustain itself. The problem arises, as you know, because the coconuts, bread fruit, pandanus and other crops that were planted as part of the resettlement program are not yet bearing adequately to support the population. To date, that has been no hard and fast progress made toward replacing these programs. Thus, unless there is a continuing

U.S. obligation to support them, it is highly likely, if not certain that they will lapse. Should that happen, it is not clear what the people would be able to do to replace them. They do not have the technical know-how to do for themselves what the government is now doing. Nor do they have the funds for these programs.

In that regard, let me anticipate the likely position of the Office of Micronesian Status Negotiations. It may claim that the money to be paid under the Section 177 Agreement is intended to compensate the community for all of the damages arising out of the testing program and hence may argue that those funds should be used for the food and agricultural programs. Not so. The money in the Compact is to pay these people for the damages to their property and to their persons which were the direct results of the tests. The obligations attendant to the rehabilitation and resettlement of these islands are obligations undertaken by the United States over a decade ago as part of the pledge to return the people to Enewetak after the long deportation on Ujelang. For OMSN to argue now that the Enewetak people must rely on their damage claims award to continue these programs is we both disingenuous and stingy.

The Section 177 Agreement does provide a funding option under which the people of Enewetak would be required to set aside the income from $5 million for food and agricultural purposes.

The short answer to this point is that the people of Enewetak have elected not to take a discounted lump sum payment in lieu of the 15-year payout alternative provided. That means that there will be no lump sum to gather interest and no means for the people to pay for these programs.

The Compact Act also contains a small entitlement for the operation and maintenance of the Wetak II, the small motor sailer that the United States commissioned to enable the people of Enewetak to go back and forth between Enewetak and Ujelang, some 120 miles to the southwest from Enewetak and to other points in the Trust Territory. The technical skills required to operate the vessel are not yet within the grasp of the Wetak crew. That means it is necessary to hire a captain. The other expenses are for operating and maintenance costs. The Wetak II has become a vital link to the outside world for the people of Enewetak. Without it, many of the school age children would not be able to commute to Majuro, some 650 miles away, where they attend high school. The irregular service of Air Marshall Islands between Majuro and Enewetak is difficult to count on and very expensive -- approximately $438 for a round trip. This is a sum that is well beyond the means of most of the people of Enewetak.

On behalf of Senator John, Scribe Ernest, the members of the counsel and residents of Enewetak who were unable to be here today I wish to thank you for your compassionate concern for the Enewetak people. It is a mark of the strength and depth of America that the people of Enewetak have not been forgotten by this government, but have been accorded both aid and respect. Without it, there is no telling where they would be today.

ENJEBI TRUST FUND

Mr. YATES. Let me ask you a question, if I may.

Mr. ANDERSON. Certainly.

Mr. YATES. What about the Enjebi trust fund?

Mr. ANDERSON. We hope this is the year.

Mr. YATES. With regard to the Enjebi trust fund, has the Treasury Department established such a fund?

Mr. JOHN. That falls in the same classification as the other——

Mr. YATES. What it says here in the law, in the compact: "Notwithstanding any other provision of law, the Secretary of the Treasury shall establish on the books of the Treasury of the United States a fund having the status specified in Article V of the subsidiary agreement for the implementation of Section 177 of the Compact, to be known as the 'Enjebi Community Trust Fund,' and shall credit to the Fund the amount of $7,500,000."

What is unclear about that?

Mr. MORGAN. We still do not have an appropriation to carry out that authorization.

Mr. YATES. Isn't that a statement it shall be done? Why do you have to get an appropriation?

Mr. MORGAN. Again, an interpretation, it is an authorization.

Mr. YATES. Whose interpretation is that?

Mr. MORGAN. That is the administration's position.

Mr. YATES. Who in the administration has made that——

Mr. MONTOYA. The Solicitor.

Mr. YATES. Who made the interpretation?

Mr. MONTOYA. That has been a generally accepted position by all.

Mr. YATES. On this paragraph?

Mr. MONTOYA. On all of the authorization versus——

Mr. YATES. It doesn't have any reference to authorizations in that paragraph. I just read you the paragraph. It says nothing about authorization. It says "notwithstanding any other provision of law." And that refers to your other authorization. The second—as well as anything else on the books.

Listen to this a minute. "The Secretary of the Treasury shall establish on the books of the Treasury of the United States"—shall establish; that is no authorization—"a fund having the status specified in Article V to be known as the Enjebi Community Trust Fund."

That doesn't require any action by the appropriation committee. It says he does it.

Mr. MORGAN. When this language was put together, it was our stated position at that time that a paper fund could be created, unless the administration had dollars to put into it, and none have been appropriated as of yet.

Mr. YATES. That has nothing to do with appropriations.

Mr. MORGAN. We don't have the money to put in there, notwithstanding the language.

Mr. YATES. We being who?

Mr. MORGAN. The Treasury Department. Notwithstanding the "shall" language to which you refer, Treasury does not have the dollars.

Congress has not provided to Treasury the dollars to put into that fund. There are a number of funds and programs that Congress creates of the sort——

Mr. **Yates**. Assuming your argument is correct, as I interpret this, we have no choice except to put the fund in, right?

Mr. **Morgan**. The administration is not seeking that $7.5 million.

Mr. **Yates**. Why are you not? Aren't you asking us to put the money in?

Mr. **Morgan**. We do not believe there is an obligation for us to seek that funding.

Mr. **Yates**. What does the law say?

Mr. **Morgan**. The law says there will be created a fund.

Mr. **Yates**. Not will be, ". . . establish on the books of the Treasury a fund . . .".

If I see that for $7.5 million, I don't know how I can avoid putting that money in.

Mr. **Morgan**. If Congress, acting through the Appropriations Committee and Appropriations Acts, provides the funding, then the administration shall credit that funding into the account. We are without an appropriation. We are without funds to do that at this time.

Mr. **Yates**. All right. But why isn't it in your budget? That is the question.

It should be in your budget. It should be in the budget as a request. None of the funds you are requesting are in the Treasury. You are asking us to put the money in. Why aren't you asking us to put this money in? It seems obvious to me that you ought to be asking for it.

I have got to go vote again.

What do you want to tell us so you can go and I can too?

Mr. **Anderson**. I would like to ask you to appropriate another $2.5 million to go with the $7.5 million for the reasons outlined in my statement.

Last year, we started out with $10 million. They took $2.5 million out of the Compact Act when the Senate put it in the Appropriation bill. It didn't survive the conference.

Mr. **Yates**. Is there anything the Senator wants to tell me?

Mr. **John**. No.

Mr. **Yates**. We appreciate your coming in. Thank you very much.

The statement of the Honorable John Seiberling as well as the statement from the Western Pacific Computer Association may be made part of the record at this point followed by the questions for the record.

[The information follows:]

STATEMENT OF
HONORABLE JOHN F. SEIBERLING
CHAIRMAN OF THE
PUBLIC LANDS SUBCOMMITTEE

To Be Submitted To the
Interior Appropriations Subcommittee

Tuesday, April 29, 1986

As I have done in various forms this year, I would once again like to address the critical question of funding of the Compact of Free Association Act of 1985 (P.L. 99-239) for fiscal 1987. This 1985 Compact Act covers the Federated States of Micronesia and the Marshall Islands. Since the proposed Compact for Palau was only recently forwarded to the Congress for action, Palau still falls under the Trust Territory of the Pacific Islands budget for fiscal 1987.

Everything I will address today has already been detailed in the Interior and Insular Affairs Committee's February 25, 1986, recommendations regarding the President's proposed budget for Micronesia in fiscal 1987. (Interior and Insular Affairs Committee Print No. 5.)

The Interior Committee found it necessary to seek an additional $63.4 million in fiscal 1987 for Compact funding because the Administration acted as if the Compact had never been before the U.S. Congress and that the Congress had never added various provisions to it to take care of ongoing commitments to the Micronesians or to meet unfulfilled obligations. Additionally, the Committee requested $7.72 million in budget add-ons to the TTPI budget for Palau in fiscal 1987 to complete funding for the hospital, for the Palau capitol and to build several airstrips on small islands.

First and foremost, we would like to address the question of "entitlements" contained in Public Law 99-239.

Because the Compact of Free Association for the Marshall Islands did not specifically provide that the United States continue the radiological health care program for the remaining 170 some Rongelap and Utrik people who were contaminated by radioactive fallout from the U.S. thermonuclear test in 1954, language for the U.S. to do so was added to the Compact legislation. The language was written so that once it became law, these benefits would continue to be made available to this designated group.

Nevertheless, no funding request was made by the Administration for this provision even though it is essential that this program continue. Therefore, we requested $2 million for the program in fiscal

1987. While the Department of Energy has administered the program to date and has the ship equipped to visit the islanders and the medical personnel to conduct the program, the Compact Act language was worded in such a way that it gave the President of the United States the option of deciding which agency or department should implement the program. We have asked the Department of the Interior on repeated occasions what decision has been made within the executive branch as to which department or agency would conduct this program under the Compact. The Interior Department keeps telling us that they're working on this problem but we have yet to see any results within the executive branch. To cut off medical care for these nuclear victims would be unconscionable, and we urge the Appropriations Committee to add funds to the fiscal 1987 appropriations bill to pay for this essential program.

The second essential need for which we provided in Public Law 99-239 is to continue the agricultural and food programs for the Bikini and Enewetak people for at least the next five years. Additionally, this provision mandates the continuation of waterborne transportation of agricultural products to Enewetak, including operations and maintenance of the vessel used for such purposes. It was the intent of the Congress, and it is expressly so noted in the Compact Act, that before the five year period for which funding is provided has expired, the U.S. government will reexamine the food situation as regards these programs and determine if they should be continued and if so, for what period of time. $1.8 million in funding is sought for these programs in fiscal 1987.

The third mandated item is the establishment of the Enjebi Community Trust Fund for those Enewetak people who are from Enjebi. For this, we seek 10 million dollars. This money is to build a community on Enjebi once it has been declared safe for the people to return to it.

All three of these provisions of the Act are to compensate in some small way the innocent victims of the U.S. nuclear testing program in the Pacific for grievances incurred, whether it was exposure to radioactive fallout, dislocation of these people from their own islands to other temporary homes where crops are not easily grown or to rebuild their communities. Funding is, I believe, a moral obligation of the United States government.

The fourth mandated program that we wish to bring especially to your attention is that which provides for continued payments by the U. S. government for the Prior

Services Benefits Program, a program established by the United States for employees of the U.S. Navy and the Trust Territory government prior to July 1, 1968. Since there is already $100,000 in the fiscal 1987 proposed budget for Palau, we are asking that the Appropriations Committee fund only the remaining $292,000 needed in fiscal 1987 for the other Micronesian beneficiaries. As we have pointed out in previous statements, while we believe that it is the responsibility of the U.S. to provide the money until the program ends, it is up to the Appropriations Committees to determine whether it should be done on an annual basis or whether a trust fund should be established from which the money would be drawn.

The language for the above-mentioned four provisions was carefully chosen to go beyond simple authorization language for these four programs. It was our Committee's belief that if we only authorized these programs, there would be no attempt on the part of the Administration to support any funding requests. Therefore, the Committee inserted what we consider to be the equivalent of entitlement language.

Another matter related to the U.S. nuclear testing program in the Pacific is the proposed cleanup of Bikini. In the settlement of a lawsuit brought by the Bikini people against the U.S. government to clean up their islands, the United States government agreed to proceed with the cleanup. The terms of the settlement were included in P.L. 99-239.

It is interesting to note that despite the fact that the cleanup funds come under the full faith and credit provision of the Compact, which in effect commits the United States to paying for the cleanup, no request was forthcoming from the Administration to begin the long awaited cleanup. More delay was clearly all that the Bikini people, removed from their islands forty years ago, could expect from the Executive branch of the U.S. government. We think there has been entirely too much delay on the part of the U.S. government and we are therefore asking that $8 million be appropriated in fiscal 1987 in order to establish a base camp on Eneu in Bikini Atoll, from which the cleanup can be launched.

In the Interior Committee's fiscal 1987 budget recommendations, funding for seven other items in the Compact was requested.

--Capitol Construction: The Executive branch of the U.S. government some years ago committed itself to providing funds for the building of capitols in each of the three areas: the FSM, the Marshalls and Palau. $11.6 million of the promised amount is still due the FSM and the Marshalls (we noted earlier the fact that $2.6

million had been requested under the TTPI fiscal 1987 budget for Palau's capitol). Since the Administration has not requested this funding (although it admits it made the commitment) we are urging it to be added on in fiscal 1987.

--Medical Referral Debts: We are requesting $7 million in funding to enable the FSM and the Marshalls governments to pay medical referral bills incurred prior to September 1, 1985. It is essential that these governments, in their new relationship with the United States, continue to have ready access to the same U.S. hospitals and medical facilities that they have previously had. Unfortunately, in many cases, there are outstanding debts that must be paid. In many instances, the debts incurred were not the fault of these new governments but rather were a result of inefficient methods employed by the Trust Territory of the Pacific Islands (TTPI) government where for example, no one in authority questioned the number of days a patient was confined to a facility. We believe that any money in the Compact for health purposes should be confined to future uses, not to past debts. The newly independent governments ought to be able to proceed with a clean slate in the pursuit of good health care for their peoples.

--Education: For the second year of funding, up to $8.7 million is sought in additional funding. (We requested up to $13 million for fiscal 1986.) Because we anticipate a great many transitional problems for the Micronesians in the area of education, and because the sums in the Compact designated for education purposes are not as much as were provided these governments under the trusteeship, we believe extra funds should be made available to them. It is essential to make certain that Micronesian's own College of Micronesia survives the transitional period. This is one of the major reasons for requesting this education money.

--Indefinite Land Use: The Compact Act authorizes an appropriation of money to complete repayment by the United States of any debts owed by the United States to the Micronesians for the use of various lands in the FSM and the Marshalls prior to January 1, 1985. We believe that overall about $2 million in payments are still owed and ought to be completed as we enter this final phase prior to termination of the trusteeship.

--Communicable Disease Control Program: There is an authorization in P.L. 99-239 that provides for the establishment or continuation of programs in the FSM to control and prevent communicable diseases. We ask that $2 million be provided the FSM government to enable it to fight cholera, leprosy and other contagious diseases present in the Federated States of Micronesia. The United States has done a great deal for Micronesians as far as health care goes, but there is still much more to be done. Providing this kind of specific assistance would go a long way towards helping the FSM government wage a winnable war against those contagious diseases still rampant from time to time on their islands.

-- College of Micronesia: We request $10 million for the College of Micronesia to enable it to take care of such matters as constructing a new campus in Palau for the Community College, relocating the nursing school from Saipan to the Marshalls, and doing some renovation work on the Micronesian Occupational Center in Koror, Palau. Our Committee for several years has recommended that the College be given this amount of money. And now that we're into the windup period of the trusteeship, we think it is more compelling than ever that this money be at last appropriated.

We realize that all items recommended for add-ons to budgets in these difficult times get extra special scrutiny and have a difficult time surviving the requests. However, given the fact that the United States plans to seek an end to the trusteeship this year at the United Nations, now is the natural and appropriate time for the United States to fulfill its commitments and give these budding states the right sendoff as they edge closer to the status of being freely associated states.

The request of the United States to the United Nations to end the trusteeship is likely to proceed more smoothly if the United States can proudly point to its wrapup of funding commitments to these governments, ranging from the building of their capitols to the continued funding of the Prior Services Benefits Program. Additionally, if the United States once and for all comes through on its funding commitments, there will probably be fewer Micronesian voices raised at the United Nations in protest over the failure on the part of the U.S. to fund some program.

I earnestly urge the Appropriations Committee to do its utmost to bring this about.

Thank you for your usual thoughtful consideration of our Committee's recommendations. It has been a pleasure working with you these last 5-1/2 years on Micronesian matters.

# # #

Western Pacific Computer Association

WPCA

OFFICERS

Ticor Lippwe
PRESIDENT

Elbuchel Sadang
VICE PRESIDENT

Susan Toribiong
Secretary/
Treasurer

MEMBERS

Republic of the
Marshall
Islands

Federated States
of Micronesia

State of Kosrae

State of Truk

State of Yap

Commonwealth of
the Northern
Marianas Is.

Republic of Palau

Micronesia
Occupational
College

United States
Dept. of Interior
Tech Assistance
"Honorary"

Dear Mr. Chairman and Members of the Committee,

I appreciate the opportunity to testify before you and introduce our organization, The Western Pacific Computer Association or WPCA.

WPCA represents four governments in the Pacific, the Commonwealth of the Northern Mariana Islands, the Republic of Palau, the Federated States of Micronesia and the Republic of the Marshall Islands. It is charged with the responsibility of initiating, coordinating and assisting in implementation of new ADP hardware and software systems for these governments.

WPCA was organized as a by-product of the financial management system project funded through the OTIA technical assistance program. During a recent meeting, OTIA suggested the creation of the organization as part of a transition effort for the islands to assume complete control over their financial and ADP projects. OTIA remains committed to assisting the complete development of WPCA.

The members of WPCA have successfully installed WANG VS computer systems in their respective locations to provide financial information internally, and to provide accurate and timely reports to the U.S. Congress.

The governments have progressed to a point where they will have auditable financial statements. Although audits for this year have not yet been released, Touche, Ross & Co. have reported that annual financial statements are auditable and some governments will receive unqualified opinions. Working through the WPCA, it is anticipated that all governments will receive unqualified opinions next year.

Each member government provides $10,000 in annual dues for the development and administration of the WPCA. These fees are proving to be nominal when compared to the benefits generated by the WPCA. Each of the governments desire to strengthen and develop their growing computerized information requirements.

The computer software applications already in operation include: municipal fund accounting, utility billings, fixed assets, stores inventory, tax accounting, accounts receivable, accounts payable, and payroll. The WPCA has just completed development of and initial training for a highly developed budget system that is integrated with financial accounting. The budget system is designed to provide the territorial budget offices with extensive capabilities to monitor the budget process.

The applications continue to grow in number and in complexity. Future plans include applications to support hospital operations and other functions as identified by each government.

We firmly believe that WPCA and its association with the financial technical assistance grants has been uniquely successful in Micronesia against a background of less effective programs. The continuing efforts of the WPCA with support from each government should serve as a measurement for our desire to become self-sufficient. We wish to continue this project with support from the OTIA technical assistance program. To complete this project or for future projects to be successfully promoted and implemented, it is important for the T.A. grant program to be continued. In addition, the WPCA serves as a support group to the limited on-site technical assistance personnel.

Currently projects involving WPCA are funded through the TTPI, for accounting and administrative control. When the TTPI is phased out, WPCA will be prepared to directly or indirectly assume those accounting and administrative responsibilities for such projects. We request that WPCA, be allowed to assume those responsibilities and work directly with OTIA, with concurrence of the respective governments, for implementation of those projects which will involve us.

As auditable financial statements have become a reality in Micronesia, we wish to grasp the opportunity to expand on its success. We hope that you will recognize and support what we feel is the beginning of a successful approach to the development of self-sufficiency in Micronesia.

Respectfully Submitted By:

Tiser Lippwe, WPCA
President

Elbuchel Sadang, WPCA
Vice President

Office of Territorial and International Affairs

The request for Territorial administration includes a shift of 5 positions from the Trust Territory government, which continues to wind down its operations.

Question: -- Which activities of the Trust Territory government have now been transferred to OTIA?

Answer: The Department now performs most of the budget formulation activities; administers the contract with the Bikini Atoll Rehabilitation Committee; administers the Four Atoll Health Care programs and monitors other health-related issues in the Trust Territory; coordinates medical referral payments; administers the Enhanced Operations and Maintenance program; and administers all power-related construction projects or acquisitions.

Question: -- Which activities will be transferred as a result of the transfer of the 5 positions in FY 1987? What are the costs associated with these positions? Why aren't they reflected in the budget?

Answer: The budget does not envision actual transfer of personnel and activities from the Trust Territory to OTIA. The 5 positions in the Trust Territory Government are vacant and the budget request is trying to show a more realistic distribution of personnel resources and workload. The costs associated with these positions would be approximately $300,000. The budget request is austere, in keeping with the overall Federal budget climate and policy.

Question: -- How many vacancies does OTIA currently have? When do you expect to fill them?

Answer: Currently there are two vacancies in OTIA. One is a field representative position in the Northern Mariana Islands; the other is a clerical position. Both positions are being actively recruited and should be filled in the next 30 days.

American Samoa

P. 23. The request for American Samoa is $23,506,000, a decrease of $3,031,000 from 1986 enacted, and $1,890,000 from 1986 adjusted. Included is an increase of $125,000 for the Judiciary.

Question: -- How large was the unexpended balance from prior years which has been available for this activity in the past?

Answer: The unexpended balance has been as high as $600,000. At the beginning of FY 1986, the balance was below $200,000.

Question: -- Where did this large unexpended balance come from? Is it likely that such balances will accrue in the future?

Answer: The large unexpended balance appeared to be the result of overbudgeting in the late 1970's and early 1980's, combined with frugal spending practices by the Chief Justice who controlled the budget. It is not likely that such balances will accrue in the future.

$750,000 is requested for expanding the existing prison, and building two smaller prison facilities.

Question: -- What is the basis for this cost estimate?

Answer: This is a preliminary estimate developed by engineers working for the American Samoa Department of Public Works. It is based on general design concepts and typical costs of construction in American Samoa.

Question: -- What will be the capacity of each facility, if this project is approved? How does this compare with current prison population figures?

Answer: The existing facility has a capacity of 50. The expanded facilities would double that capacity. Average daily population currently ranges between 80 and 90.

Question: -- Will the American Samoa government have sufficient funds to maintain and staff the facilities?

Answer: We believe the American Samoa government will have sufficient funds to maintain and staff the facilities.

$300,000 is requested for an engineering feasibility and environmental assessment study, Pala Lagoon.

Question: -- Who did the Preliminary Feasibility Study, completed in May, 1985, and how was it funded?

Answer: The preliminary study was performed by the Army Corps of Engineers using their own personnel.

Question: -- What exactly is the additional information that this further study will provide? What is the basis for the cost estimate?

Answer: The further study will focus on specific engineering and environmental concerns that were raised in the preliminary study. It will be a much more technical study. This study is unique in our experience so that we could not estimate the cost based on similar studies performed in the past. Therefore, the estimate is based on more general experience in dealing with contracts and contractors who perform this type of work.

Question: -- Why should this study by funded by the U.S. government, rather than the American Samoa government?

Answer: The American Samoa government is operating with a deficit and has no local funds that it is willing to set aside for this purpose.

Northern Mariana Islands

The request for the Northern Mariana Islands is $35,344,000, an increase of $4,288,000.

Question: -- If the legislation is not enacted before the appropriations bill is marked-up, shouldn't the existing funding level under the existing Covenant be maintained, pending Congressional action?

Answer: The Administration has reached an agreement with the Northern Mariana Islands and has requested funding consistent with its legislative proposal pending before Congress. We believe our agreement with the NMI is a good agreement and that it is in the best interest of all parties to appropriate the Administration's request.

Virgin Islands

P. 48. The request for the Virgin Islands is $2,900,000 for the Charlotte Amalie water distribution system.

Question: -- What is meant by the budget's statement that this grant assistance is needed to supplement the payments to the VI from excise tax collections?

Answer: Rum excise tax coverovers have traditionally been used to meet capital needs in the Virgin Islands. The excise tax collections have been steadily decreasing over the past several years, which is why we are seeking to supplement the tax coverover by requesting additional capital funding.

Question: -- How exactly will this $2,900,000 be used?

Answer: The funds will be used to replace a portion of the main water transmission line in Charlotte Amalie. This line is the major source of leakage in the territory and has resulted in the loss of revenues and creation of a health hazard.

Question: -- How is the balance of funding required for water system improvements (estimated at $17,000,000) to be provided?

Answer: While the Department will consider future requests for water improvements funding in the Virgin Islands, we hope that local revenues resulting from correcting leakage and metering problems will provide ample funding for further improvements.

Technical Assistance

P. 57. The request for technical assistance is $2,200,000, a decrease of $2,671,000.

Question: -- Why are you proposing to decrease this program to this extent, given your statement as to the program's importance and centrality to your territorial policy?

Answer: Our proposal is consistent with budget requests for the past two years. We believe the request is sufficient to carry out the programs' major objectives. This is particularly true since we have now completed the funding of high-cost computer installations in seven locations.

Question: -- Under the terms of the Compact, won't you continue to provide technical assistance to the former Trust Territory governments?

Answer: We will continue to provide technical assistance to the Freely Associated States based on the merits of each request and the availability of funds. We have never allocated specific amounts of technical assistance for individual territories or territorial groupings.

Questions: -- How large is the unobligated balance from prior years? Is this an unusually high level? If so, why?

Answer: At the beginning of FY 1986, we carried over an unobligated balance of approximately $1.6 million. The balance has been declining each year since the inception of the program in FY 1982. The balance was created by large appropriations to initiate the program before staff and administrative processes were established to manage the program.

Trust Territory of the Pacific Islands

P. 80. The request for Trust Territory operations is $2,450,000, a decrease of $2,939,000.

Question: -- What is the current unobligated balance remaining in the Enhanced O&M program? When do you expect to obligate the rest of these funds?

Answer: At the beginning of fiscal year 1986, the unobligated balance was $7.8 million. The balance had been reduced to $5.2 million by April 30, 1986. We expect to either obligate or commit the remaining $5.2 million by September 30, 1986. Commitments would be in the form of agreements reached with the governments that have not yet been written and signed as formal obligating documents.

Question: -- What is the status of the funds provided for Trust Territory construction in the past three years? What is the remaining unobligated balance? Why is it taking so long to get these funds obligated?

Answer: The only unobligated funds for construction are associated with three projects funded in FY 1986: Majuro water; Jaluit dock; and the Palau hospital. Final amounts were only available after March 1 when the sequestration order finalized. However, there is a large balance of unexpended funds. This is due primarily to the nature of construction processes. A few projects, such as an FY 1984 grant for "outer states water" in Palau have been delayed simply by problems of coordinating the distribution and project identification among 16 state governments.

Compact of Free Association

P. 99. The request for Compact current year funding is $27,920,000, a decrease of $830,000. In addition, $116,350,000 will be provided in permanent appropriations, for a total of $144,270,000.

Question: -- What is the status of the economic development plans, required by section 211 of the Compact?

Answer: The governments have submitted plans and have been given comments and concerns raised by members of the Micronesian Interagency Group. Both governments are now trying to address those concerns. Assuming the governments agree to correct noted deficiencies, the Administration will send a report to Congress which includes recommendations to approve the plans.

Question: -- How much of the request is subject to the full faith and credit clause of the Compact? Provide a breakdown by Compact section number for the record.

Answer: All of the $116,350,000 estimated for permanent appropriations is subject to the full faith and credit clause. This includes funding under the following sections:

Section 211(a)(1)	$ 26.1 million
Section 211(a)(2)	60.0 million
Section 212	1.0 million
Section 213(a)	1.9 million
Section 214(a)	2.0 million
Section 214(b)	3.0 million
Section 215(a)(1)	.3 million
Section 215(a)(2)	.6 million
Section 216(a)(1)	.890 million
Section 216(a)(2)	1.791 million
Section 216(a)(3)	2.678 million
Section 217	16.080 million
Total	$116.339 million

$280,000 is included for training of diplomats from the Marshalls and the FSM.

Question: -- How many such diplomats are expected to be trained under this level of funding?

Answer: The final needs assessment, curriculum, and the number of diplomats to be trained have not yet been determined. A portion of the first year's funding will be used for planning purposes.

Question: -- Will the $280,000 be provided in full to the Department of State, regardless of the number trained each year?

Answer: The Department of State will only be reimbursed for actual expenses incurred and documented.

$6,300,000 is requested to continue financial assistance for students currently receiving such assistance, for a maximum of four years.

Question: -- How many such students are there?

Answer: There are approximately 5,000 Micronesian students currently receiving Federal financial assistance for post-secondary education.

Question: -- How is the cost estimate of $6,300,000 derived for FY 1987, a decrease of $2,000,000 from 1986?

Answer: The estimate of the first year's funding was developed in consultation with the Department of Education. For the second year and the two subsequent years, the budget assumes that approximately one quarter of the students will graduate or otherwise drop out of the program each year.

$11,340,000 is requested for the continuation of certain Federal services, such as FAA and the Weather Service, an increase of $1,170,000.

Question: -- What are the "anticipated increases" in the cost of providing these services in FY 1987?

Answer: The estimates include a ten-percent factor to cover inflation, Federal pay raises or increases in program costs. The final reimbursement to these agencies will be based on actual costs incurred. Since this is an annual appropriation, any excess funds would lapse and be returned to Treasury. We felt it was important to include this factor since the Compact guarantees continuation of a level of services equivalent to those available to the Trust Territory during the year prior to the effective date of the Compact.

Question: -- Provide a breakdown for the record.

Answer: Estimated costs in FY 1987 for Federal services to be provided to the Freely Associated States are as follows: (1) Federal Aviation Administration ($1.87 million); Department of Transportation ($1.42 million); Federal Emergency Management Administration ($4.31 million); National Weather Service ($1.87 million); and U.S. Postal Service ($1.87 million).

$10,000,000 is provided for governmental activities in the education and health care areas.

Question: -- How will you determine in advance, or track, how these funds will be spent?

Answer: This money is being provided to the Freely Associated States in lieu of current Federal grant programs for health and education. It will be the responsibility of the Freely Associated States to determine how the funds will be spent. Tracking of the funds will be performed through open communication, reports prepared by the Freely Associated States, and annual or periodic audits.

Section 105(n) authorizes funding to complete repayment by the U.S. of any debts owed for the use of various lands in the Marshalls and the FSM prior to January 1, 1985.

Question: -- Does the U.S. still owe money to these governments for the use of private lands by the Trust Territory government?

Answer: In FY 1981, $4.1 million was appropriated to pay indefinite land use claims to landowners in Micronesia. A Commission was established to determine the fair market value of the land. However, many landowners rejected the Commission's determinations and have filed claims against the Trust Territory Government. To our knowledge, no money is owed to the Micronesian governments, but settlement or arbitration of claims by private landowners may result in money owed to these individuals.

Question: --If so, do you agree with the Interior Committee that $2,000,000 is required to pay these debts? Why haven't you requested funds for this purpose?

Answer: It is premature to determine whether $2 million is a proper amount to settle all claims.

QUESTIONS SUBMITTED BY THE HONORABLE RALPH REGULA

Guam

Question: Your budget justification mentions water as the major problem in Guam. Last year during our hearing you indicated that you were waiting for a Bureau of Reclamation report. I assume that study is complete. What were the results of the study and what are your long-term plans for dealing with the water problem in Guam?

Answer: The Bureau of Reclamation is working with the Public Utility Agency of Guam to provide technical advice on water supply and distribution and to help update Guam's water master plan. The primary finding of the Bureau of Reclamation is that Guam has a sufficient water supply for the next fifty years. However, most of the water supply is in the northern part of Guam and transmission and distribution of water to the southern part of the island is poor. Thus, our financial assistance for water improvements has focused on transmission lines that lead from the north to the south.

Our long term plans are to encourage Guam to increase water rates so that system costs are covered by the users and to increase the efficiency of the system so as to maximize revenue but also help keep rates as low as possible. As Guam moves in this direction, more and more of needed water improvements can be financed from local sources or even from the issuances of bonds backed by water revenues.

American Samoa

Question: Table II on Page 28 of your Budget shows the distribution of local revenues from American Samoa. I notice revenues declined from 1985 to 1986, why was this?

Answer: Since our budget was prepared, the American Samoa Government has instituted a two-percent sales tax and has re-estimated local revenues. FY 1986 revenues are now projected to be $24.9 million, an increase of $4.7 million over FY 1985.

Question: This table also shows that the Arts Council will be receiving no local contribution in FY 87, why is that?

Answer: The Department of the Interior recognizes the constitutional government of American Samoa and their internal processes for determining the distribution of operating funds. In the budget and financial reports provided to us by American Samoa, we note that the Arts Council is funded primarily through Federal grants (other than Interior's grant) and that they are projecting increased grant revenues for this program in FY 1987, compared to FY 1985 and FY 1986. We assume that this may be the reason for the elimination of local funding for the program.

Question: There is a new funding category, Treasury, what is this category?

Answer: The American Samoa Treasury is not a new organization. However, in the past, its funding was incorporated in the budget for Administrative Services. It is now being identified as a separate line item in the budget.

Question: According to your budget justification (pg. 37) you plan to conduct an Engineering Feasibility and Environmental Assessment Study of developing a barge/deepwater harbor and dock facility at Pala Lagoon. The budget also mentions a "Preliminary Feasibility Assessment for a Pala Lagoon Harbor Development Project" that was completed in May 1985. What is the difference between these two studies and what did the earlier study cost?

Answer: The earlier study was very superficial and was performed by the Army Corps of Engineers. It raised both engineering and environmental concerns that need to be researched in greater detail. This would be the purpose of the proposed studies.

Virgin Islands

Question: While the budget only requests $2.9 million for the water improvement project in the Virgin Islands the estimated cost of system improvements is over $17 million. What are your long-term plans for financing the needed water improvements?

Answer: In addition to the requested $2.9 million, the Department has made available another $1.7 million for improvements to the main transmission line in Charlotte Amalie. This line is the major source of leakage and water revenue loss in the territory. Replacement will generate an additional $3-4 million in revenues, which can provide a ready source of local funds for further improvements.

Guam Power Authority Loan

Question: According to your budget (pg. 66) as a result of the Gramm-Rudman cuts you will be unable to make the interest payment on the Guam Power Authority Loan and will begin to accrue penalty interest. What is the cost of the penalty interest? When does it begin to accrue? Could the Department consider reprogramming funds for this or requesting a supplemental?

Answer: Penalty interest is based on the current "cost of capital" to the U.S. Treasury. At existing rates, the penalty would accrue at a rate of approximately $100 per day, beginning September 30, 1986. If Congress appropriates the FY 1987 budget request or a continuing resolution by October 1, the Department will be able to pay the FY 1986 shortfall in early October, without a substantial penalty. However, this means that the Department will again be short in FY 1987 of meeting its scheduled September payment. We will try to obtain sufficient funding through the FY 1988 budget to get back to a normal payment schedule. We do not believe a reprogramming request is necessary, since the funding would have to come from other territorial sources. The cost to the affected territory would be far greater than any penalty interest we may incur.

MONDAY, APRIL 7, 1986.

FOREST SERVICE

WITNESSES

PETER C. MYERS, ASSISTANT SECRETARY, U.S. DEPARTMENT OF AGRICULTURE

R. MAX PETERSON, CHIEF, FOREST SERVICE

F. DALE ROBERTSON, ASSOCIATE CHIEF, FOREST SERVICE

JEFF M. SIRMON, DEPUTY CHIEF, PROGRAMS AND LEGISLATION, FOREST SERVICE

L. LAMAR BEASLEY, DEPUTY CHIEF, NATIONAL FOREST SYSTEM, FOREST SERVICE

JOHN H. OHMAN, DEPUTY CHIEF, RESEARCH, FOREST SERVICE

ALLAN J. WEST, DEPUTY CHIEF, STATE AND PRIVATE FORESTRY, FOREST SERVICE

WILLIAM L. RICE, DEPUTY CHIEF, ADMINISTRATION, FOREST SERVICE

LEON H. ANDERSON, DIRECTOR, HUMAN RESOURCE PROGRAMS, FOREST SERVICE

JOHN A. LEASURE, DIRECTOR, PROGRAM DEVELOPMENT AND BUDGET, FOREST SERVICE

CHARLES W. PHILPOT, ASSOCIATE DEPUTY CHIEF, RESEARCH, FOREST SERVICE

GEORGE M. LEONARD, ASSOCIATE DEPUTY CHIEF, NATIONAL FOREST SYSTEM, FOREST SERVICE

DENNIS KAPLAN, CHIEF, BUDGET CONTROL AND ANALYSIS, U.S. DEPARTMENT OF AGRICULTURE

Mr. AuCoin. The committee will come to order.

Today's hearing is on the Forest Service 1987 appropriations. We have as witnesses Assistant Secretary Peter Myers; Chief of the Forest Service, Max Peterson; F. Dale Robertson, Associate Chief of the Forest Service; Jeff Sirmon, Deputy Chief, Programs and Legislation, Forest Service; Lamar Beasley, Deputy Chief, National Forest System.

Lamar, are you here?

John Ohman, Deputy Chief, Research, Forest Service; Allan West, Deputy Chief, State and Private Forestry; William Rice, Deputy Chief, Administration, Forest Service; Leon Anderson, Director, Human Resource Programs, Forest Service; Mr. Leasure, Director of Program Development and Budget, Forest Service; Charles Philpot, Associate Deputy Chief, Research, Forest Service; George Leonard, Associate Deputy Chief, National Forest System, Forest Service; and Dennis Kaplan, Chief, Budget Control and Analysis.

Welcome, gentlemen.

We have biographies for some of the witnesses and the statements as well which will be printed in the record.

[The biographical information follows:]

BIOGRAPHICAL SKETCH

PETER C. MYERS
Assistant Secretary of Agriculture for
Natural Resources and Environment

Peter C. Myers has been Assistant Secretary of Agriculture for Natural Resources and Environment since May 22, 1985. As Assistant Secretary for Natural Resources and Environment, Myers is responsible for directing the policies of the U.S. Department of Agriculture's Forest Service and the Soil Conservation Service.

Before accepting his present position, Mr. Myers served as Chief of the Soil Conservation Service since April of 1982.

Before his appointment as Chief of the Soil Conservation Service, Mr. Myers operated his row-crop and livestock farm in southeast Missouri for 27 years. He has served as Commissioner of the Missouri Department of Conservation, as a director of the Missouri Cattlemen's Association, as a director of the Missouri Pork Producers Association, and the Missouri Farm Bureau Federation.

Mr. Myers attended the University of Wisconsin, majoring in agronomy and animal husbandry. After receiving his B.S. degree, he was commissioned an officer in the U.S. Army where he served a tour of duty in the Ordinance Corps.

Mr. Myers and his wife, Mary, have five children and live in Annandale, Virginia.

#

December 13, 1985

BIOGRAPHICAL SKETCH

Name: **Jeff M. Sirmon**

Place of Birth: Franklin, Alabama

Education: Auburn University, Auburn, AL

Military: U.S. Army, 1962

Career:

Project Engineer	Alabama National Forests Montgomery, AL	1958
Assistant Forest Engineer	SC National Forests Columbia, SC	1961
Engineer	Southern Region Atlanta, GA	1962
Forest Engineer	Lassen NF Susanville, CA	1963
Engineering Development Officer	Pacific Southwest Region San Francisco, CA	1967
Branch Chief, Adm. Mgt. and Data Retrieval, Division of Engineering	Washington Office Washington, DC	1969
Assistant Regional Forester	Northern Region Missoula, MT	1972
Deputy Regional Forester	Intermountain Region Salt Lake City, UT	1974
Regional Forester	Intermountain Region Salt Lake City, UT	1980
Regional Forester	Pacific Northwest Region Portland, OR	1982
Deputy Chief, Programs and Legislation	Washington Office Washington, DC	1985

Civic and Professional Affiliations:
Society of American Foresters
American Forestry Association

BIOGRAPHICAL SKETCH

Name: **J. Lamar Beasley**

Place of Birth: Sylva, North Carolina

Education: University of Georgia, BS Forestry, 1961

Military: U.S. Air Force, 1955-1958
Rank - Airman First Class

Career: Began Forest Service career on Monongahela National Forest in West Virginia attaining position of Assistant District Ranger, Marlinton Ranger District. 1962 to 1965

District Ranger Blackduck Ranger District	Chippewa National Forest Minnesota	1966
Center Director Golconda CCC	Shawnee National Forest Illinois	1967
Branch Chief	Manpower Training Program Milwaukee Regional Office	1969
Deputy Forest Supervisor	Wasatch National Forest Salt Lake City	1970
Forest Supervisor	Kisatchie National Forest Louisiana	1972
Environmental Coordinator	Washington Office Washington, DC	1975
Director, Resources Program and Assessment Staff	Washington Office Washington, DC	1976
Associate Deputy Chief and Deputy Chief Programs and Legislation	Washington Office Washington, DC	1979
Deputy Chief National Forest System	Washington Office Washington, DC	1985

Civic and Professional Affiliations:
Society of American Foresters
American Forestry Association

BIOGRAPHICAL SKETCH

Name: **John H. Ohman**

Place of Birth: Detroit, Michigan

Education:
University of Minnesota, B.S., 1957
University of Minnesota, M.S., 1958
University of Minnesota, Ph.D., 1961

Military: U.S. Army, 1951-1954

Career:	Research Fellow	University of Minnesota	1958-1961
	Project Leader	North Central Station Marquette, MI	1961-1968
	Assistant Chief, Forest Disease Research	Washington Office Washington, DC	1968-1971
	Assistant Director	Northeastern Station Upper Darby, PA	1971-1972
	Director	North Central Station St. Paul, MN	1972-1978
	Director, Forest Insect and Disease Research	Washington Office Washington, DC	1978-1979
	Associate Deputy Chief for Research	Washington Office Washington, DC	1979-1980
	Associate Deputy Chief for State and Private Forestry	Washington Office Washington, DC	1980-1981
	Deputy Chief for State and Private Forestry	Washington Office Washington, DC	1981-1986
	Deputy Chief for Research	Washington Office Washington, DC	1986-

Civic and Professional Affiliations:
Society of American Foresters
American Forestry Association

BIOGRAPHICAL SKETCH

Name: **Allan J. West**

Place of Birth: London, England
(Naturalized U.S. Citizen 1958)

Education: University of California, Berkeley, B.S. of Forestry, 1956
University of California, Berkeley, Master of Forestry, 1957

Career:	Research Forester, Snow Hydrology	National Forests in California	1957-64
	Assistant Ranger, District Ranger, Deputy Forest Supervisor		1964-76
	Forest Supervisor	Los Padres National Forest	1976
	Director, Data Management	Washington Office Washington, DC	1979
	Director, Aviation & Fire Management	Washington Office Washington, DC	1981
	Associate Deputy Chief, Programs and Legislation	Washington Office Washington, DC	1982
	Deputy Chief, State and Private Forestry	Washington Office Washington, DC	1986

Civic and Professional Affiliations:
Licensed Professional Forester, California
American Forestry Association
Society of American Foresters

BIOGRAPHICAL SKETCH

Name: **William L. Rice**

Place of Birth: Silver City, New Mexico

Education: Western New Mexico University, BA, Accounting, 1964

Military: U.S. Army, April 1958 to January 1961

Career:	Operations Accountant	Forest Service Rocky Mountain Region Holbrook, AR	1964 to 1966
	Operations Accountant	Forest Service Southwestern Region Albuquerque, NM	1966 to 1970
	Staff Accountant	Forest Service Northern Region Missoula, MT	1970 to 1974
	Supervisory Accountant	Forest Service Washington, DC	1974 to 1975
	Director, Fiscal and Accounting Staff	Forest Service Washington, DC	1975 to 1978
	Director, Administrative Services	Forest Service Washington, DC	1978 to 1980
	Director, Program Development & Budget	Forest Service Washington, DC	1980 to 1985
	Associate Director Information Management	USDA Washington, DC	1985 to 1986
	Deputy Chief, Administration	Forest Service Washington, DC	1986 to present

BIOGRAPHICAL SKETCH

Name: **John A. Leasure**

Place of Birth: Beaver, Pennsylvania

Education: Pennsylvania State University, BS, 1956

Military: U.S. Navy Reserve, 1957-1960
Rank - Lt. (j.g.)

Career:

Assigned to various National Forests in Idaho and California, and the Regional Office in Missoula, Montana, with assignments in all aspects of multiple-use management.		1960-1978
Assistant Director Recreation Management	Washington Office Washington, DC	1978
Staff Assistant to Deputy Chief for Programs & Legislation	Washington Office Washington, DC	1981
Director of Program Development and Budget	Washington Office Washington, DC	1985

Civic and Professional Affiliations:
Society of American Foresters
American Forestry Association

BIOGRAPHICAL SKETCH

Name: **Charles W. Philpot**

Place of Birth: Sacramento, California

Education:
University of California--Berkeley, B.S., 1960
University of California--Berkeley, M.S., 1963
University of Montana, Ph.D., 1970

Career:	Researcher	Riverside, California	1963-1966
	Researcher	Missoula, Montana	1966-1973
	Staff Specialist Fire Science	Washington Office Washington, DC	1973-1975
	Assistant Director	Pacific Southwest Station Berkeley, California	1975-1983
	Director, Forest Fires & Atmospheric Sciences	Washington Office Washington, DC	1983-1986
	Associate Deputy Chief for Research	Washington Office Washington, DC	1986-

BIOGRAPHICAL SKETCH

Name: **George M. Leonard**

Place of Birth: Angels Camp, California

Education: Oregon State University, BS, 1956

Military: U.S. Navy Reserve, 1956-1957
Rank - Lt. (j.g.)

Career:

Assigned to various National Forests and the Regional Office in California with assignments primarily in the field of timber management.		1957 to 1971
Staff Assistant, Timber Sales	Washington Office Washington, DC	1971
Special Assistant to the Director of Timber	Washington Office Washington, DC	1972
Silviculturist	Washington Office Washington, DC	1973
Assistant Director of Timber Management, Timber Sales	Washington Office Washington, DC	1975
Deputy Director of Timber Management	Washington Office Washington, DC	1981
Director of Timber Management	Washington Office Washington, DC	1982
Associate Deputy Chief, National Forest System	Washington Office Washington, DC	1986

Civic and Professional Affiliations: Society of American Foresters

Mr. AuCoin. Mr. Myers, we will begin with your statement.

Mr. Myers. Thank you, Mr. Chairman.

I would enter my full statement without reading it. I will just highlight my statement if that is agreed.

Mr. AuCoin. It is agreed.

Mr. Myers. We do welcome the opportunity to appear before you. Before the Chief discusses the highlights of the Forest Service budget, I would like to address, very briefly, four policy issues.

Number one being reducing Federal expenditures. As we know, the President has emphasized the need to move toward a balanced budget by reducing Government spending and to help achieve the goal of lower Federal expenditures, the 1986 appropriation for the Forest Service has been sequestered as directed by the Balanced Budget and the Emergency Deficit Control Act of 1985. For much the same purpose of reducing expenditures, the 1987 budget for the Forest Service and other Department of Agriculture agencies is purposely restrained.

Proposed budget authority in 1987 for managing Forest Service programs is over $1.7 billion. Receipts generated from the lands managed by the Forest Service are expected to be about $1.3 billion.

The second issue I would like to discuss briefly is the Forest Service/Bureau of Land Management interchange, which is a legislative proposal to authorize an interchange of 25 million acres between the Forest Service and the Bureau of Land Management. This was submitted to Congress last month.

The third point is proposed payments to states legislation. The 1987 budget proposes to change the basis for payments to states from the sharing of gross receipts to a sharing of net receipts.

The fourth point is recreation user fees. We have a legislative proposal to increase receipts from user fees which is being currently developed and will be submitted to Congress in the near future.

The legislation is designed to return the fees to the Forest Service under a special appropriations account, where they will be used to operate and maintain recreation sites.

This concludes my opening remarks, Mr. Chairman. Chief Peterson will now discuss the details of the 1987 budget.

[The statement of Mr. Myers follows:]

STATEMENT OF
PETER C. MYERS
ASSISTANT SECRETARY
U.S. DEPARTMENT OF AGRICULTURE

Before The House Appropriations Committee,
Subcommittee on Interior and Related Agencies

April 7, 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I welcome the opportunity to appear before you today to discuss the FY 1987 budget for the Forest Service. I am accompanied by R. Max Peterson, Chief of the Forest Service, and the Forest Service's Deputy Chiefs.

Before Chief Peterson discusses the highlights of the Forest Service budget, let me discuss a number of policy issues: (1) the need to reduce Federal expenditures, including those of the Forest Service; (2) the Forest Service/Bureau of Land Management interchange program; (3) a proposal to change payments to States to a net receipts basis; and (4) recreation user fees.

Reducing Federal Expenditures
The President has emphasized the need to move toward a balanced budget by reducing government spending, rather than by raising taxes. He is committed to reducing the role of the government in the economy as well as to eliminating waste and improving management practices.

To help achieve the goal of lower Federal expenditures, the 1986 appropriation for the Forest Service has been sequestered as directed by the Balanced Budget and Emergency Deficit Control Act of 1985--by Gramm-Rudman-Hollings. This 4.3 percent reduction has been allocated across the board to Forest Service research stations, its Northeastern Area, and to each National Forest.

For much the same purpose of reducing expenditures, the 1987 budget for the Forest Service and other Department of Agriculture agencies is purposefully restrained. The Administration's budget and legislative proposals are intended to foster increased economic activity while reducing the cost of the present Federal programs and the drain on the National budget.

The proposed budget authority in 1987 for managing Forest Service programs is over $1.7 billion. This amount provides for continuing important research, pest suppression on Federal lands, a 10 billion board feet timber sale program, and a level of other resource programs suitable to meet the needs of the American people from their National Forests and Grasslands.

The productivity of Forest Service programs will be improved by carefully controlling costs, adjusting management procedures, and paying close attention to benefit-cost relationships. The objective is to produce timber, recreation, and other products or services at the lowest unit costs. Careful attention will be given to both market and nonmarket values of resources, such as water quality, and their associated costs.

Receipts generated from lands managed by the Forest Service are expected to be about $1.3 billion. This level of receipts reflects both an improving economy and efforts of this administration to bring the American people a financial return from the public lands.

Forest Service/Bureau of Land Management Interchange

A legislative proposal to authorize an interchange of 25 million acres between the Forest Service and Bureau of Land Management was submitted to the Congress in February.

The legislation proposes that 15 million acres be moved from the Bureau of Land Management to the Forest Service, and 10 million acres be moved from the Forest Service to the Bureau of Land Management. This is a refinement of what we discussed one year ago, based on public comment, discussions with members of Congress, and more thorough analysis. The budget proposes $5 million to begin implementing this interchange in FY 1987.

The interchange will consolidate offices, improve service to the public, and enable more efficent and effective land management. It will enable the two agencies together to reduce staffing by about 370 positions.

We expect that the interchange will cost the Forest Service about $14.4 million to implement over a 3 year period, but result in estimated savings of $8.4 million per year once it is fully implemented. We urge the Congress to move expeditiously on this piece of legislation.

Proposed Payments to States Legislation

The 1987 budget proposes to change the basis for payments to States from a sharing of gross receipts to a sharing of net receipts. The Forest Service would deduct from timber and mineral receipts related program costs which are necessary to manage and protect the lands to generate these receipts. Twenty-five percent shares of these receipts paid to State or county governments would be calculated after related costs are deducted.

Two primary reasons underlie this proposal: (1) Under current law the Federal government, after giving States a share of Forest Service gross receipts and after paying related Federal costs, often realizes a net loss; and (2) sharing receipts on a gross basis, as is now done, rather than on a net-of-costs basis, gives States the incentive to seek investment options where costs to the Federal government exceed total receipts.

Recreation User Fees

A legislative proposal to increase receipts from user fees is currently being developed and will be submitted to Congress in the near future. This legislation will allow the recreation users to support funding of costs associated with developing and operating recreation resource opportunities. Those who receive the benefits should pay for a reasonable portion of the costs. The legislation is designed to return the fees to the Forest Service under a special appropriations account, where they will be used to operate and maintain recreation sites.

This concludes my opening remarks. Mr. Peterson will now discuss details of the FY 1987 budget.

Mr. AuCoin. Let me ask you one thing. Did you say that the legislation on the receipts formula change has been submitted to the Congress at this stage?

Mr. Myers. No, it has not. It is being prepared and will be submitted. The interchange has been.

Mr. AuCoin. This budget is based on those assumptions, but the legislation is still not here.

Mr. Myers. No. It is still not here. That is correct.

Mr. AuCoin. And recreation receipts legislation, has that been submitted to the Congress yet?

Mr. Myers. No. The only thing that has been submitted is interchange legislation. Recreation has not.

Mr. AuCoin. This budget also presumes that, too?

Mr. Myers. Yes.

Mr. AuCoin. Thank you.

Chief?

Mr. Peterson. Mr. Chairman, maybe I could have my statement submitted for the record?

Mr. AuCoin. It is submitted in the record and you can summarize in any way you care to.

[The statement of Mr. Peterson follows:]

STATEMENT OF
R. MAX PETERSON, CHIEF
U.S. DEPARTMENT OF AGRICULTURE, FOREST SERVICE

Before the House Appropriations Committee,
Subcommittee on Interior and Related Agencies

April 7, 1986

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I welcome the opportunity to appear before you today to discuss the FY 1987 budget for the Forest Service.

FY 1987 Budget

At the proposed funding levels, we will be able to continue to emphasize high priority research and provide a balanced resource management program on the National Forests and Grasslands. States are expected to assume more of their responsibilities for forest management assistance on non-Federal lands. We will further streamline our organization and programs to reduce costs and increase efficiency, while maintaining a suitable level of resource management and service to the public.

Forest Research

The proposed funding for Forest Research in 1987 is $111.5 million. This funding will enable us to concentrate on research that will help address the Nation's future resource needs and improve its economic condition. We will continue to carry out important research work in all of our programs, while streamlining them.

We will emphasize the highest priority research work, including atmospheric deposition, old growth wildlife habitat, biotechnology, and international trade in forest products.

State and Private Forestry

The budget includes $24.9 million for Forest Service State and Private Forestry programs. This will change the Federal role in State and private forestry to one of providing specialized technical assistance primarily in fire and insect and disease control projects of national benefit. The Forest Service will collect and analyze data nationwide and serve as an information clearinghouse. The budget provides financial assistance to Minnesota for intensive forest management associated with the Boundary Waters Canoe Area.

The insect and disease suppression activities will be directed at Federal lands, giving high priority to treating adjacent or intermingled lands where needed to deal with infestations over an entire area.

Financial assistance to the states will be eliminated because states are technically qualified and capable of funding their own forestry activities.

National Forest System

Proposed funding for the National Forest System appropriation in 1987 is $894.5 million. This includes $5 million for the Forest Service/BLM Interchange proposal previously discussed.

Recreation use

We believe the recreation program as proposed will adequately deal with the increasing recreation demands we are experiencing on the National Forests.

The FY 1987 budget includes a proposed new special fund for operating and maintaining recreation facilities with money generated from recreation receipts. This proposal would return receipts to the Forest Service, to reduce regular appropriations needed to pay for operating and maintaining Forest Service recreation areas and facilities. Considering both funding sources, the Recreation program in FY 1987 is equivalent to the FY 1986 appropriated level before Gramm-Rudman-Hollings reductions.

Wildlife and Fish Habitat Management

Funding proposed for Wildlife and Fish Habitat Management in 1987 is $33.8 million.

Our priority in habitat management is to do a good job in planning and coordinating with other resource activities, such as timber sales and road building, to minimize adverse effects and take advantage of opportunities to gain fish and wildlife benefits. Investments in habitat improvement work will be directed at high productivity areas and threatened and endangered species in the most critical situations.

Forest Fire Protection

Proposed funding for Fire Protection is $147.2 million. Fire presuppression activities and fire fighting forces will be maintained at about the same level as in FY 1985. We will continue to rely on the support of States and other agencies in emergency situations such as we had this past year. At the time of peak fire activities this past summer, we had about 20,000 people fighting fires, of which about 40 to 50 percent were not Forest Service employees, but brought in from other organizations.

Timber Sale Program

The proposed funding for the timber sale program, including all support except purchaser credit road construction, is $471.5 million. This will provide a timber sale level of 10.0 billion board feet, made up of 7.4 billion board feet of timber in new sales (including 810 million board feet of salvage) and 2.6 billion board feet of reoffer volume as a result of the Federal Timber Contract Payment Modification Act of 1984. The harvest level for 1987 is projected to be 11.2 billion board feet, the same level as expected in FY 1986.

Reforestation and Stand Improvement

Altogether, with appropriated and Knutson-Vandenberg funds, the budget proposes $177.5 million for reforestation and stand improvement work.

Within this, $119.9 million is proposed for reforestation, sufficient to reforest about 334,100 acres. Investments in reforestation will be deferred on some acres not associated with timber sales and where there are little or no environmental effects.

Forest road construction

Funding for the Forest Road Construction program is $178.5 million. The level of purchaser credit road construction is estimated at $154.3 million. Altogether, this will permit construction or reconstruction of about 6,845 miles, about 450 fewer miles than projected in FY 1986. This is consistent with the trend toward less roading in recent years. About one-half of the mileage involved is reconstruction of existing roads, instead of construction of new roads.

The 1987 road construction program will emphasize access for timber sales, with roads that respond to immediate project needs. We will continue a strong emphasis on reducing road construction costs by building to the minimum road standard needed to meet the immediate land management objective.

Cooperative Law Enforcement

The budget for Cooperative Law Enforcement in 1987 is $2.5 million. This includes $2 million specifically directed at removing cannabis from National Forest System lands. The remaining funds will be provided to local law enforcement agencies for extra protection of the public and of property in high risk areas on National Forests.

Land Acquisition

The budget proposes $3.2 million to acquire lands where commitments have been already made and funding is available from past fiscal years. We will use land exchanges to the maximum extent practicable to acquire high priority tracts.

This concludes my prepared testimony. I will be glad to respond to any questions.

Mr. PETERSON. It would be helpful to use some charts to take you quickly through the budget, Mr. Chairman.

Mr. AuCOIN. You can show those today if you promise not to repeat them when Mr. Yates is back tomorrow.

MAJOR BUDGETARY CONSIDERATIONS

Mr. PETERSON. I promise not to repeat them unless the Chairman requests. Then I will have to ask for, I guess, a caucus between the two of you. Here are some of the major considerations that went into our budget.

[The information follows:]

Forest Service

Major Considerations

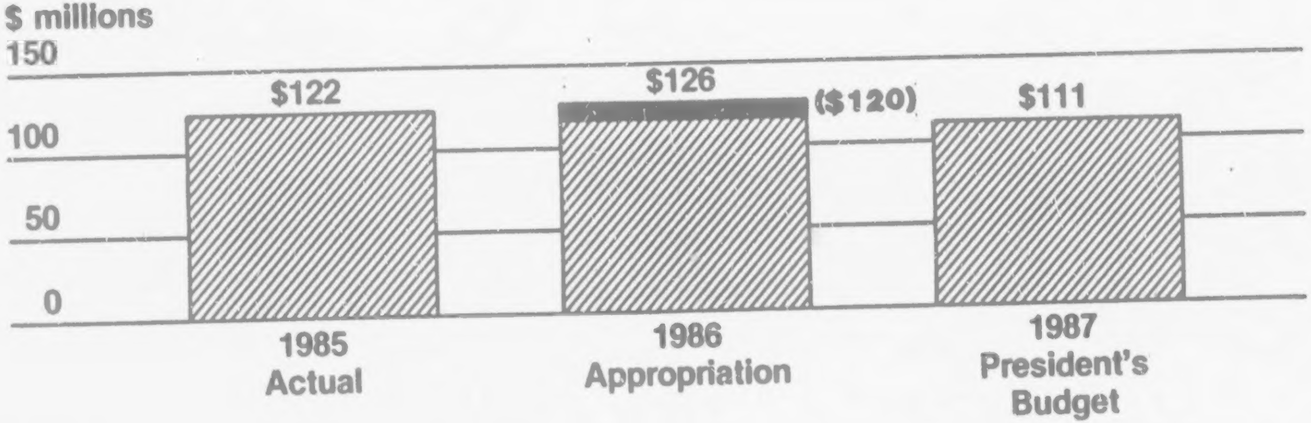
- Budget deficit
- Receipts to the Federal government
- Housing starts
- Forest Service efficiency
- Research backup for future resource and technology needs
- State and local responsibilities for resource supplies
- Land management plans

Forest Service

Management Savings

- Increased revenue
- Reduced administrative support
- Reduced planning costs
- Increased productivity:
    - Reforestation
    - Timber sale procedures
    - Wood residue
- Increased efficiency of data processing
- Streamlined information handling
- Reduce staff organizations

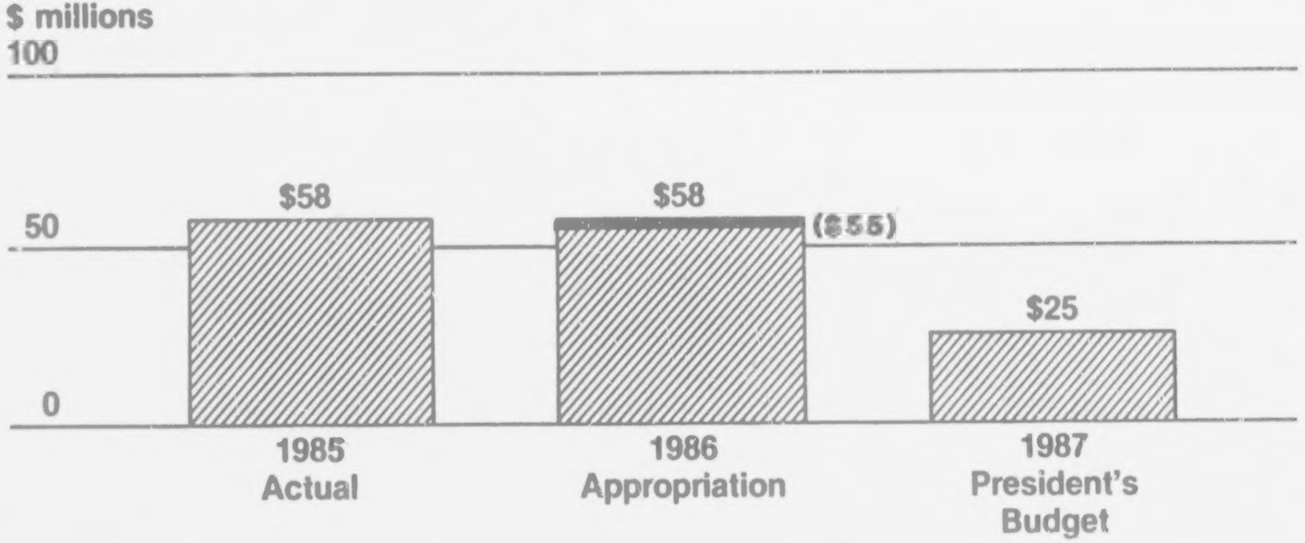
Forest Service
Research



1987 Program
- Timber management and genetics
- Protection of resources
- Acid rain
- Old-growth wildlife habitats
- Resource inventory and analysis
- Forest economics
- Forest products and harvesting
- Range, recreation, wildlife, fish, and watershed management

Forest Service

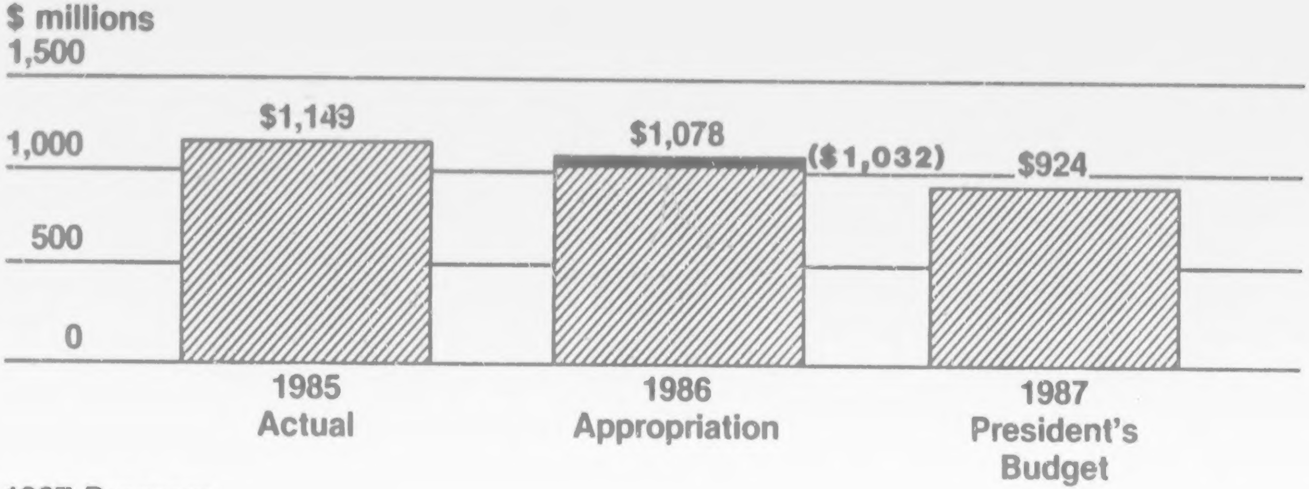
State and Private Forestry



1987 Program
- Forest pest management on Federal lands
- Special projects (B W C A)

Forest Service

National Forest System[1]



1987 Program

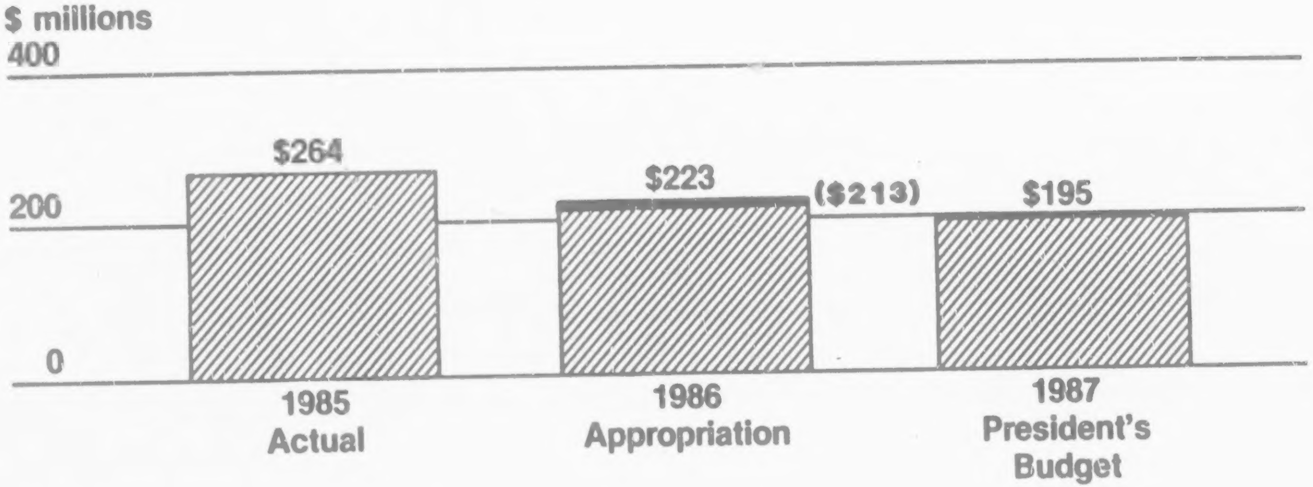
- Timber sales (10 BBF)
- Minerals
- Recreation ($52 million in proposed receipt account not included above)

[1] Includes Reforestation Trust Fund for consistency.

Forest Service

Construction

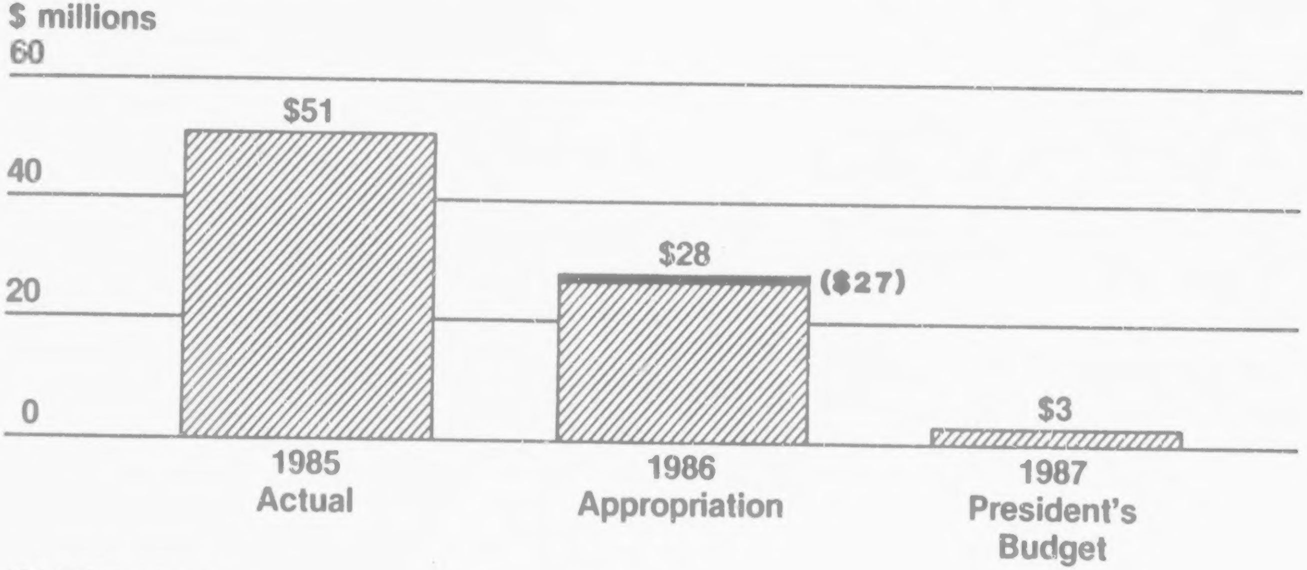
(Excludes Timber Purchaser Credit Program)



1987 Program
- Access for timber sales and resource management
- Critical support facilities, particularly health and safety

Forest Service

Land Acquisition

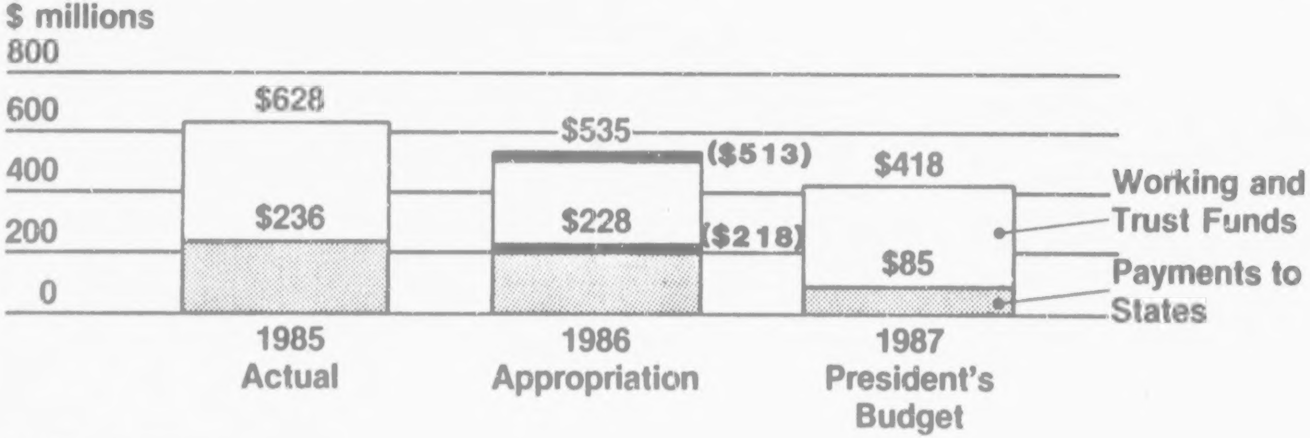


1987 Program

- Closing existing L&WCF cases
- No new purchases

Forest Service

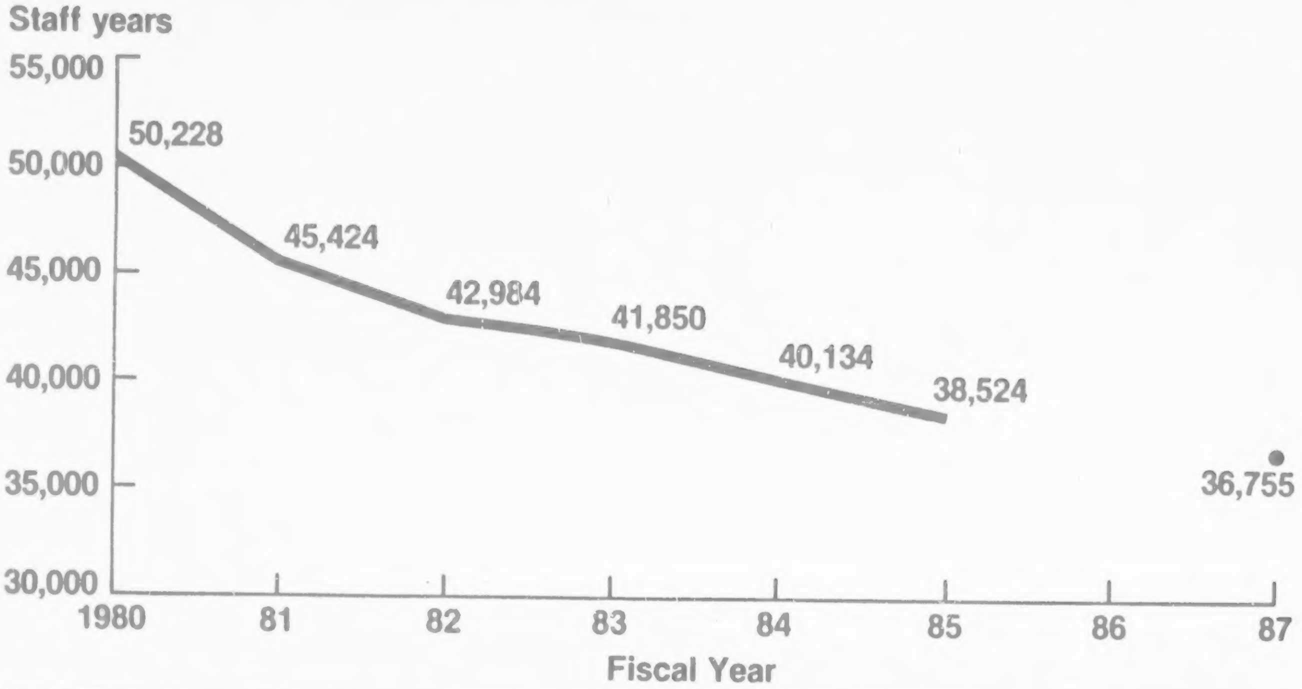
Permanent/Trust Funds



1987 Program
- Timber Salvage Sales
- Tongass Timber Supply Fund
- Brush Disposal
- KV Reforestation and Timber Stand Improvement
- Payments to States on a net receipts basis

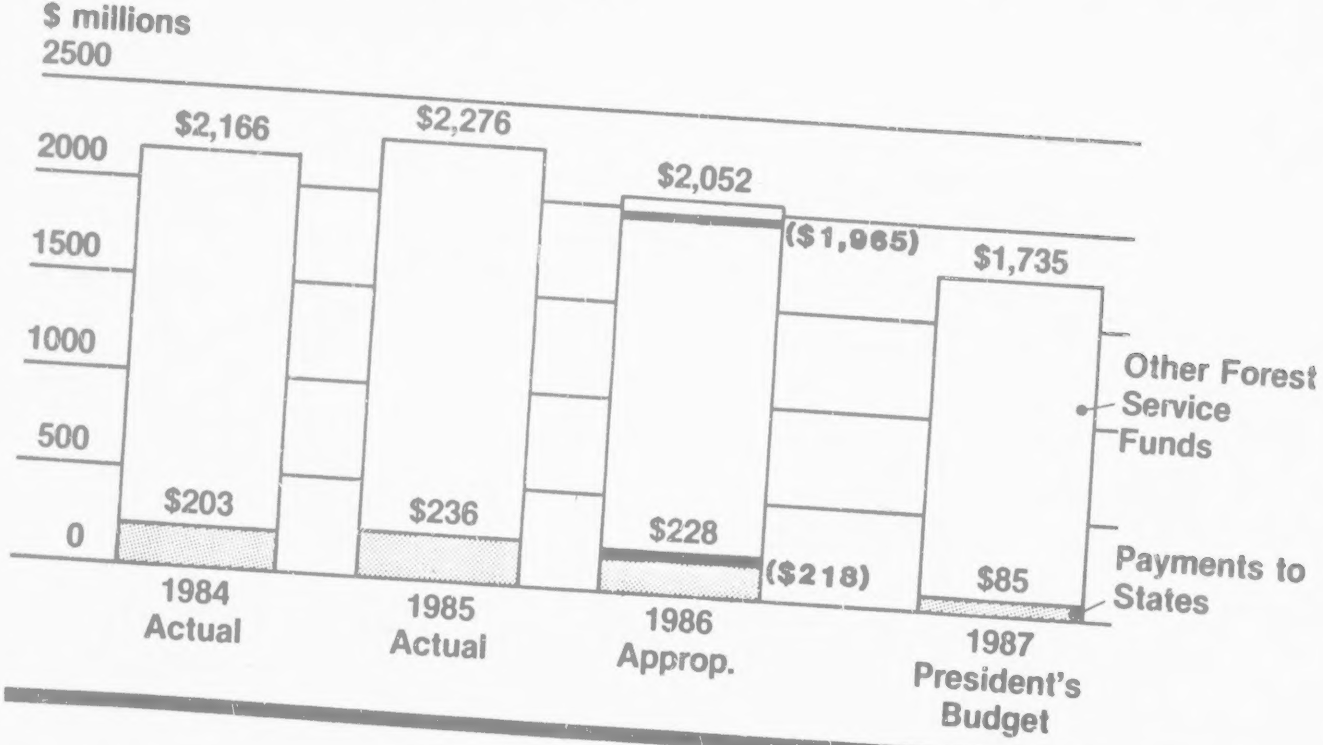
Forest Service

Staff Year Trend 1980-1987



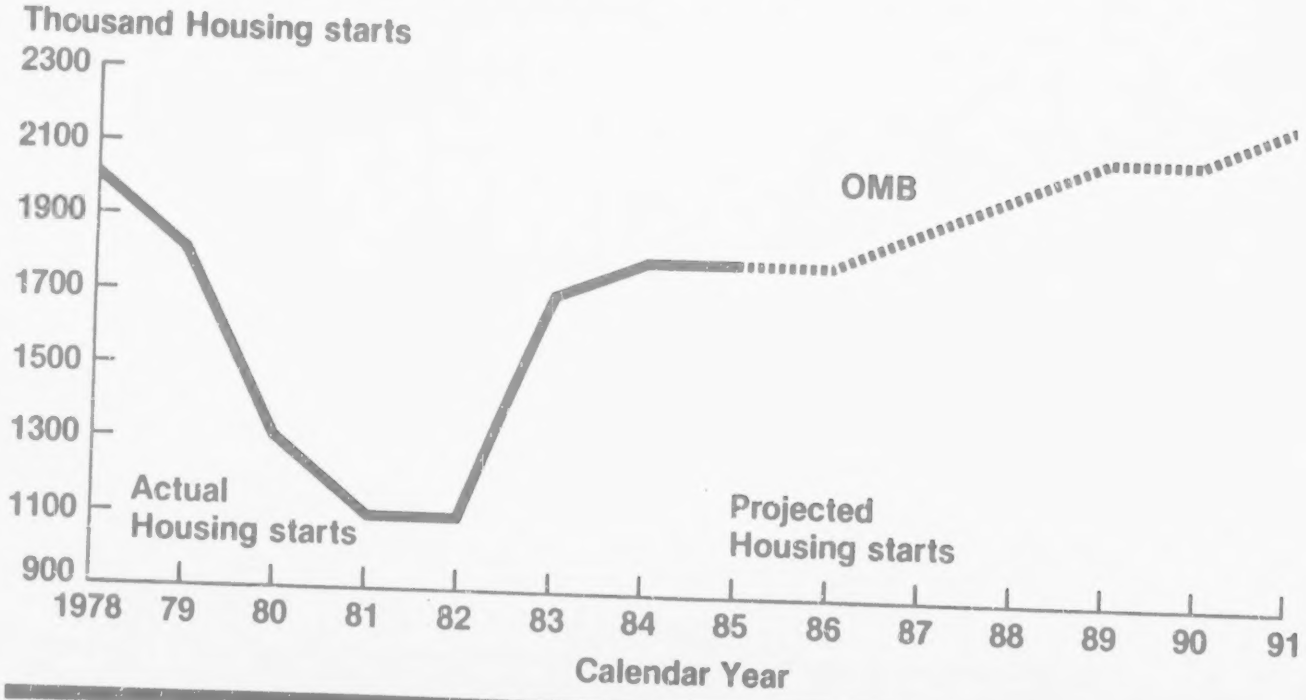
Forest Service

Summary Comparison

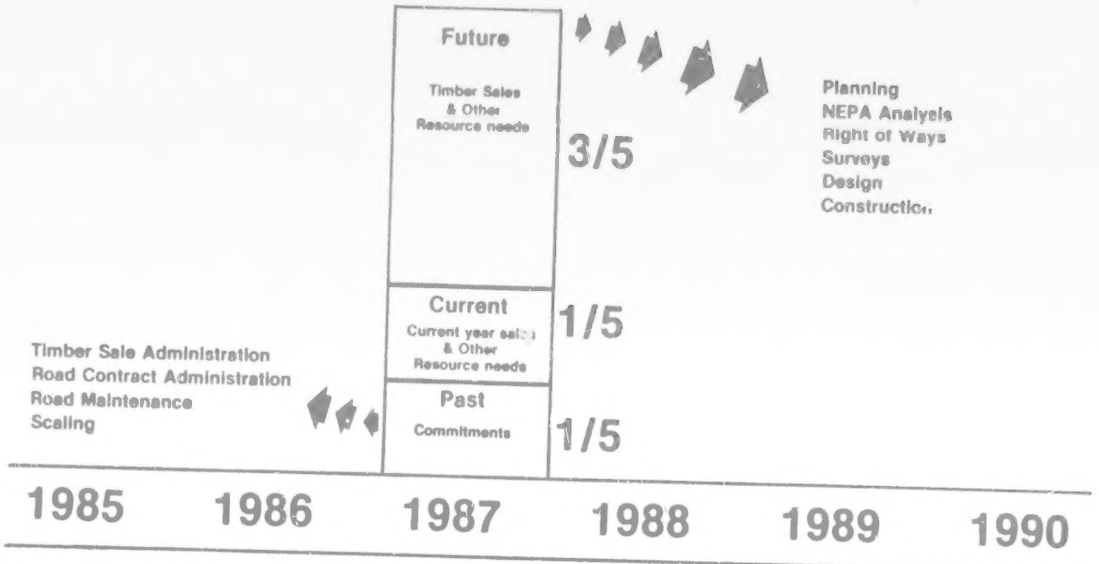


Private Housing Starts 1978-91

Annual-Actual or Projections



1987 Timber Sale and Roads Program



Timber Sale Administration
Road Contract Administration
Road Maintenance
Scaling

Future
Timber Sales
& Other
Resource needs
3/5

Current
Current year sales
& Other
Resource needs
1/5

Past
Commitments
1/5

Planning
NEPA Analysis
Right of Ways
Surveys
Design
Construction

1985 1986 1987 1988 1989 1990

Mr. Peterson. As Secretary Myers already indicated, the budget deficit concern resulted in looking at holding down the total size of the budget. We looked at receipts to the Federal Government.

This is behind the proposed recreation user fee change. We looked at future housing starts, ways that we could reduce costs. The budget is based on another $27 million reduction in Forest Service costs from a whole variety of activities.

Then we looked at important research back-up for future resource and technology needs. The budget is based on an assumption that state and local responsibility for resource supplies will increase over time.

There will be some reduction in Federal financing. Land management plans are nearing completion so we tried to start reflecting land management plans in the 1987 budget.

I mentioned some reduction in our cost. We also looked at some opportunities to increase review, to reduce administration support costs, to reduce planning costs, and to increase productivity, particularly in reforestation and timber sale procedures and wood residue. In total, Mr. Chairman, the management savings are expected to result in some continued reduction in staffing as this comes about and also some increase in revenue as we have taken a critical look at a lot of requirements that are in our everyday business, including timber sales.

Mr. AuCoin. Could you go back to the first chart just for one minute?

Mr. Peterson. Sure.

Mr. AuCoin. What did you mean by the second to the last item, Chief?

STATE AND LOCAL RESPONSIBILITIES

Mr. Peterson. The budget is based on the idea that states and local government will finance more of what has heretofore been state and private forestry costs and also that states would receive somewhat less revenue from national forest receipts, the net receipt proposals.

In other words, many states are in better shape financially than the Federal Government is, as you know. So the proposal is that some additional state and local responsibility would be taken for investments in private land.

Mr. AuCoin. Therefore, it would result in a saving for the Federal Government?

Mr. Peterson. That is correct. That is an assumption that underlaid that kind of reduction.

Mr. AuCoin. In those two things, which states would feel the greatest impact?

Mr. Peterson. On the receipts sharing, or state and private forestry, there would be a number of states, of course, that would receive decreased funding depending on the level, for example, of insect disease activity on that private land during that year because that is a big variable.

Mr. AuCoin. Which would be the most conspicuous examples?

Mr. Peterson. We have a chart in our explanatory notes that shows our best estimate by states.

Mr. AuCoin. I see this chart. What about the states that would be most impacted by the receipts change that you are contemplating that would take losses? Which state would be most impacted there, Chief?

Mr. Peterson. I expect the total dollars would be—not percentage, but the total dollars is probably highest in Oregon.

Mr. AuCoin. Isn't that amazing I would ask that question?

Mr. Peterson. That showed remarkable insight.

Mr. AuCoin. Let's see another chart. Does it get better?

RESEARCH BUDGET

Mr. Peterson. It gets better as we go along, yes. First, in research, the charts in all cases, Mr. Chairman, will show the 1985 actual and then will show the 1986 appropriation in the large letters and then we show the amount after the Gramm-Rudman sequestering also in the chart. The last graph shows the 1987 President's budget.

In research, the primary change is the deferral for 1987 of competitive grants.

Competitive grants, as you remember, has been in the appropriation for two years. Those competitive grants are multi-year grants. So in looking at where can you reduce the total budget with the lease immediate effect, the best short-term answer is to defer competitive grants.

Mr. AuCoin. What did you ask for?

Mr. Peterson. We asked for $5 million in competitive grants.

Mr. AuCoin. You felt $5 million in competitive grants was important and necessary?

Mr. Peterson. Yes. Where possible to get the size of research budget that we requested, yes.

Mr. AuCoin. What is lost with the $5 million that you didn't get out of OMB?

Mr. Peterson. We don't really know because you don't know until you see the competitive grants before you.

Mr. AuCoin. What are the kinds of things?

Mr. Peterson. About half relate to biological questions and about half relate to things like wood utilization, harvesting systems and so on. We would probably get literally hundreds of grant requests, in fact, it might even be more than a thousand and they would come from throughout the country from private and public institutions or individuals. So it is not possible at this point to tell you exactly what would be in those.

Mr. AuCoin. But if we agree to this request, we will know how many will be granted. Zero.

Mr. Peterson. That would be correct for 1987. The 1986 ones, as I mentioned, will be carrying forward.

Mr. AuCoin. Okay.

Mr. Peterson. The other reduction in research is in forest survey where it is possible to simply reduce or increase the length of the cycle between surveys.

The third item is we felt it was possible to delay somewhat the major vegetation survey that would be a follow-up to acid rain research until we completed the acid rain research effort in 1987 and 1986.

The program does contain a continuing strong emphasis on acid rain, on old growth related habitat and on timber management including genetic improvement.

Mr. AuCoin. Did you request funds for the follow-on acid rain research program?

Mr. Peterson. In our initial request for 1987, we did request that, but then in reviewing the budget and reviewing priorities, we decided that with a reduced budget level, that was something we could defer until 1988.

It was better to defer that than it was the basic research that we are doing in 1986 and 1987. So that is the reason we pushed that off to the following year.

STATE AND PRIVATE FORESTRY

In the state and private forestry programs, as already indicated, the change here basically is that we would continue the technical assistance that we provided in the past in fire, insect, and disease management, but the state grants throughout the state and private program would be deleted, except for the grant to Minnesota which is specified in legislation related to the Boundary Waters Canoe Area wilderness. So this is a basic role change that is being reflected in the budget request.

The National Forest System, because of the size of the budget, we will give you both the total and then some additional information.

Mr. AuCoin. One question on that last chart, Chief. If by cutting the state and private forestry program the locals are unable to pick up the slack, wouldn't that cause even greater pressure on the National Forest System in terms of access by operators to timber volume?

Mr. Peterson. Yes, it would unless the state and private owners picked that up.

Mr. AuCoin. If they can't do that, they would put the greater pressure on the Forest Service?

Mr. Peterson. Yes, it would. We would hope states and private individuals at times would do that. We might point out the conservation reserves in some respects would be of assistance, not in fire, insects, and disease, but in the trend line side of that.

NATIONAL FOREST SYSTEM

In the National Forest System, the total is about an 11 percent change from the 1986 appropriation.

The timber sale level would be at 10 billion feet. It maintains emphasis on minerals, but at a slightly reduced level.

The major change we need to explain there is if you look at the recreation number you know that it is about cut in half under National Forest System, but we propose that $52 million additional would come from past receipts to recreation. This would hold the total recreation program, if you add those two together, at roughly the same as in 1986.

REFORESTATION

And then the same explanation needs to be looked at in reforestation, in that you have to add the Reforestation Trust Fund to the regular appropriation level to see the total.

Otherwise, you are $30 million short. So if you add the $30 million to the regular program of $27 million, it gives you a total of $57 million, almost $58 million in reforestation and timber stand improvement funds.

Mr. AuCoin. The 1986 appropriation on reforestation was $99 million. You are saying that the 1987 request is $27.9 million.

Mr. Peterson. Plus $30 million from the Reforestation Trust Fund.

Mr. AuCoin. That would bring it up to about $57 million compared to $99 million.

Mr. Peterson. $57.9 million.

Mr. AuCoin. You have done the job well enough on reforestation, Chief, that we can cut from one year to the next by that amount?

Mr. Peterson. Well, we have, essentially. By the end of 1985, as you recall, there was a target for completing the feasible backlog. Now, a few cases where we had access problems or we were tied up in court on questions of use of herbicides in certain areas and so on, we didn't quite do it.

This budget then reflects a completion of that feasible backlog.

Mr. AuCoin. This $27.9 million finishes the backlog.

Mr. Peterson. No. No. The feasible backlog was essentially completed before this budget, but you remember that you accumulate some every year from fires, from plantation failures and from other things.

This $57 million was designed to prevent us from developing another backlog by being reasonably current.

Mr. AuCoin. So we won't fall further behind.

Mr. Peterson. That is right. We will always have about a million acres in a status of being reforested and so on.

I should point out in all fairness all of these numbers were before the 4.3 percent reduction. This budget was prepared before that. So this is a pretty tight situation, reforestation, and timber stand improvement.

We will be increasing the amount of reforestation under the Knutson-Vandenberg law which will give us in total—if you look at the total reforestation situation we will be spending about $177.5 million in 1987, a combination of National Forest System, Reforestation Trust Fund, and KV. This compares to $181 million in 1986, if you add all the numbers together.

Mr. AuCoin. If that works so well and you don't need more, why did you request $72.6 million to OMB?

Mr. Myers. Quite a bit of that was in timber stand improvement, but it also was doing some reforestation work that is desirable. There is some desirable work out there, but it is not technically a backlog.

Mr. AuCoin. That we won't get done.

Mr. Peterson. That is right.

TIMBER STAND IMPROVEMENT

Mr. **AuCoin**. What about accomplishments for timber stand improvement?

Mr. **Peterson**. We will be down considerably in timber stand improvement. That is a deferrable thing. You can defer it to a point. Trying to meet deficit control requirements and trying to meet outlay projections, this is one thing that could be deferred one or two years.

Mr. **AuCoin**. I always thought timber stand improvement investments helped the long-term productivity of the stands.

Mr. **Peterson**. That is true, they do. They help the long-term productivity and they help the quality of the timber. So it is not a desirable thing. But in the kind of situation, we are dealing with now, in trying to hold down Federal expenditures, you are postponing those types of things that can be postponed.

FUTURE REVENUES

Mr. **AuCoin**. Aren't you really holding down the Federal expenditures or Federal receipts in the future?

Mr. **Peterson**. At some future point, yes, we would.

Mr. **AuCoin**. What fiscal sense does that make then when you take the long view?

Mr. **Peterson**. In the short run.

Mr. **AuCoin**. I can see the short run.

Mr. **Peterson**. What everybody is trying to do now is to somehow reduce outgo to equal income.

Mr. **AuCoin**. But we hope we can live beyond the short run. I think we ought to be thinking long-term.

Mr. **Peterson**. I would hope we reach the point where sometime in the not-too-far future we can make investments.

Mr. **AuCoin**. We have a budget here that is going to depress revenues to the Treasury in the long run.

Mr. **Peterson**. At some future point, yes, but not in the short run.

Mr. **AuCoin**. It is great for now, isn't it?

Mr. **Peterson**. That is right. At some point we would have to deal with that. In construction the reduction here again is about 11 percent.

In construction, there are a couple of major changes. There is a reduction in fire, administration, and other construction of $9.5 million; in recreation use construction, $6 million; forest road construction, $9.7 million; and forest trails is $2 million, which makes up that $27.3 million reduction. This, again is a continuing reduction in both miles and the dollars request for roads.

I think it is about the eighth budget in a row we have had a reduction in these two items.

LAND ACQUISITION

Land acquisition, essentially, all we are asking for there is money to close the cases that are now pending. There is no new land acquisition requested in the budget.

Mr. AuCoin. Is that because there is no prime, pristine quality land to be acquired? Have we run out of it, or is there some other reason for that?

Mr. Peterson. It is a feeling that land base is not the major problem out there if you were looking at priorities and meeting recreation needs.

We, for example, have very old facilities that date back to the CCC vintage in many places. We have trail systems in need of reconstruction.

So priority-wise, you would not do land acquisition in the short run, faced with a very tight budget situation.

Mr. AuCoin. Do you increase, substantially, the improvements in the existing facilities, trails and so forth? How much of an increase are you getting there?

Mr. Peterson. There is no increase in those activities in this budget. We would hope to get to the point where we can do that.

Mr. AuCoin. Wait a minute. I thought we were not acquiring lands so we can do that.

Mr. Peterson. If you are looking at priorities, land would fall below those things.

Mr. AuCoin. We have two things that fall off the priority list?

Mr. Peterson. No. We kept some trail construction, but not as much. It is some reduction from last year's appropriation level, but we kept trail construction of almost $5 million in the 1987 budget.

We held recreation operation and maintenance about at the 1986 level for 1987. If we had to make a reduction in the budget, we would not make it in operation and maintenance.

We would make it in land acquisition.

Mr. AuCoin. I am reminded that the request for that maintenance and repair and so forth comes from the Land and Water Conservation Fund which typically has gone for land acquisition; is that correct? Fifty-two million dollars?

Mr. Peterson. That $52 million would come out of past receipts in the Land and Water Conservation Fund. Some of that has come from operation and maintenance.

Some of that has come from collections at our facilities.

Mr. AuCoin. Most of the $52 million is proposed to be taken from the Land and Water Conservation Fund receipts.

Mr. Peterson. For the first year, yes.

Mr. AuCoin. Typically in the past, the Land and Water Conservation Fund has been used for land acquisitions, hasn't it?

Mr. Peterson. That is correct, although it's been used by states and local agencies for operation and maintenance. For the Federal level, it's been used for land acquisition. I might point out——

Mr. AuCoin. Wasn't it used exclusively for land acquisition up to recent years?

Mr. Peterson. At the Federal level, yes. There is one change. At the Federal level, money from use of facilities is now going in the Land and Water Conservation Fund. You are right. Until very recently, it was used only for land acquisition at the Federal level. It was available for operation and maintenance at state and local levels, but not the Federal level. So this would be a change in that use of funds.

Mr. AuCoin. So the point I am making is the land acquisition cut, which is fairly dramatic here, and the savings are not going for the purposes of maintaining and improving existing assets. The funds that are being proposed that basically keep them held harmless are being extracted from the Land and Water Conservation Fund.

Mr. Peterson. We look at it as if you had spent that $52 million that would have been available for land acquisition, it would not have been available for operation and maintenance, so it is a question of where you put that really. We considered putting it in operation and maintenance of facilities as being higher priority than just buying more land.

Mr. AuCoin. Let's see the next chart.

PERMANENT AND TRUST FUNDS

Mr. Peterson. This shows permanent and trust funds. And as you have already indicated, the biggest change there is the proposed legislation on the payments to states. Payments to states in 1986 were $228 million. Under the proposed legislation, it would be somewhere around $85 million, so that is the major change in permanent appropriation. There is a $6 million reduction in the Tongass Timber Supply Fund proposed in this part of the permanent and trust funds.

Mr. Chairman, that is kind of a quick walk-through of the major items in the appropriation. I hope that is helpful to you as you frame questions.

Mr. AuCoin. Thank you, Chief. Do you have the statement you want to give as well?

Mr. Peterson. That is all. If the statement is in the record, that is fine.

1985 RPA PROGRAM

Mr. AuCoin. Secretary Myers, the Forest and Rangeland Renewable Resources Planning Act, or RPA, requires that the RPA program be prepared every five years and be submitted to the Congress to serve as a comprehensive guide for program development and for budgeting purposes. The 1985 program has not yet been presented to the Congress, although it was by law to have been submitted in January of 1985. I would like to know what the status of the 1985 RPA program is.

Mr. Myers. We still have some internal discussions with OMB going on before it is approved and can be released.

Mr. AuCoin. You must be aware that the law says that it was to have been submitted in January of 1985?

Mr. Myers. Very much, that's right.

Mr. AuCoin. Have you shown the statute to OMB?

Mr. Myers. I don't think we have shown them the specific statute, but we made them aware of the fact.

Mr. AuCoin. Would that help to show them the statute?

Mr. Myers. I won't comment on that.

Mr. AuCoin. What is the prognosis of submitting the 1985 program to the Congress?

Mr. **Myers**. We hope to have that available rather soon. "Rather soon" is a vague term, I understand that. It's not because we haven't tried in the department and in the Forest Service.

Mr. **AuCoin**. Soon like September, soon like October, soon like November, soon like July?

Mr. **Myers**. Let's put ourselves on the hook, soon like July.

Mr. **AuCoin**. July. What is the nature of the disagreement?

Mr. **Peterson**. I think the real problem is that in the RPA process you look at outyear needs and opportunities. As you pointed out earlier, in looking at future investments and so on, it will be coming to the Congress at a time when there is great concern about holding the line on expenditures. That presents a real problem to OMB, who is trying to deal with the overall Federal deficit. So I don't think there is much mystery about the kinds of problems.

Mr. **Myers**. I suspect it's the trend lines that are shown in there that they are having problems with.

Mr. **AuCoin**. Pending that submission to the Congress in July, and I am hoping that will be early July rather than later July—pending submission of that program to the Congress, can you provide a summary of the elements contained in the program as the Forest Service prepared it?

Mr. **Myers**. I can provide it for the record. I can't do it verbally.

Mr. **AuCoin**. Would you do that?

[The information follows:]

Process for formulating the Forest Service 1985 RPA Program

OVERVIEW OF THE PROCESS

This book contains the results of an analysis by the Forest Service as a step toward completion of the final 1985 RPA Program. This analysis is based on preliminary analyses and data used to develop the nine draft alternatives, public comments on the RPA draft environmental impact statement (DEIS), the RPA Assessment and its Supplement, the RPA Goals, national direction to assure program consistency, the Federal Timber Contract Payment Modification Act, and special studies designed to aid in program evaluation.

Accomplishments following completion of the DEIS

The DEIS was released for a 90-day public review and comment period on January 10, 1984. During this period, numerous special meetings were held to brief Forest Service staff, other Federal and State agencies, Congressional staff, and outside interest groups. The comment period closed on April 9.

Approximately 1800 comments were received ranging from letters to detailed analyses. These were individually reviewed and the results used in developing this analysis. Several major items surfaced by the public were discussed with the Forest Service Chief and Staff, and the Assistant Secretary, to clarify our approach in developing the final Program update.

During May and June, Forest Service field units prepared an initial analysis of program response to the Assessment and public comment. This initial analysis was examined in detail and major concerns identified that were resolved at the July Regional Forester and Director's meeting. During July and August, field units updated their initial analysis in response to direction from the Regional Foresters and Directors meeting. By late August two major issues were unresolved, but were under consideration by Congress: new wilderness designations in many states and the backlog of timber under contract. In September and October, the program analysis was revised as decisions on these issues were made. The analysis continued in this book was finalizd after the President signed the Federal Timber Contract Payment Modification Act on October 16, 1984.

Special evaluations

Numerous special evaluations also were completed in response to questions about the DEIS and to aid in the Program decisionmaking process. Some of the more significant of these are:

Economic efficiency analysis - Completed for the timber, range, and minerals resources to determine the level of production that maximizes Present Net Value (PNV).

Additional studies of resource values - Completed for all resources, except timber, to provide as much consistency, comparability, and credibility as possible for all resource values.

Consideration of the backlog of timber under contract - Completed in response to the new Federal Timber Contract Payment Modification Act which established maximum limits on sawtimber volume under contract and annual sale volumes for 1986-1991 in the Pacific Northwest Region.

Consideration of a higher level of wilderness acreage - To display the effects of additional wilderness acreage in the DEIS alternatives, an even larger acreage was examined in the context of Alternative 3. This was based on primitive areas not included in RARE II acreages, and wilderness proposals (by various groups) that were not classified as wilderness or designated for further planning in RARE II.

Response to special initiatives - Some current, high priority problems were identified and examined in terms of special initiatives for the Program. These include recreation maintenance backlog, trails backlog, and special wildlife habitat needs.

Incremental Analysis - Evaluation of program alternatives through the use of a parametric linear programming model. The model meets a specified constraint such as timber volume, by predetermined increments, and determines the optimal mix of alternatives, for each increment which meet the program objective to maximize PNV.

1985 RPA Alternatives

ALTERNATIVE 1: CONTINUE CONSTANT LEVEL AND MIX OF PROGRAM OUTPUTS.

NFS - Meet 1982 outputs with budget level rising for real costs only.
S&PF - Meet budget level
RESEARCH - 1982 budget level

ALTERNATIVE 2: EMPHASIZE ACHIEVEMENT OF HIGH OUTPUT LEVELS FOR TIMBER, RANGE, MINERALS, AND OTHER MARKET RESOURCES. PRODUCTION OF NONMARKET OUTPUTS WILL BE AT ECONOMICALLY EFFICIENT LEVELS, CONSISTENT WITH THE MARKET EMPHASIS.

NFS - Budget not to exceed 120 percent of FY 82
S&PF - "Resource maximum" alternative is an accelerated program to meet the highest timber and range production goals indicated in current state forest resource planning.
RESEARCH - Emphasize technology needed to protect resources, increase production and utilization of market resources and optimize multiresource uses.

ALTERNATIVE 3: EMPHASIZE ACHIEVEMENT OF HIGH OUTPUT LEVELS OF WATER, WILDLIFE AND FISH, RECREATION, WILDERNESS, AND OTHER NONMARKET RESOURCES. PRODUCTION OF MARKET OUTPUTS WILL BE AT ECONOMICALLY EFFICIENT LEVELS, CONSISTENT WITH THE NONMARKET EMPHASIS.

NFS - Same as alternative 2 - except emphasize nonmarket resources.
S&PF - Midlevel alternative - outputs are at a level halfway between current and 1980 RPA Program levels.
RESEARCH - Emphasize technology needed to protect and produce nonmarket resources and amenities, minimize impacts among competing resources.

ALTERNATIVE 3A: EMPHASIZE ACHIEVEMENT TO HIGH LEVELS OF WILDERNESS, WATER, WILDLIFE, AND OTHER NONMARKET RESOURCES. PRODUCTION OF MARKET OUTPUTS WILL BE AT ECONOMICALLY EFFICIENT LEVELS, CONSISTENT WITH THE NONMARKET EMPHASIS.

NFS - Same as Alternative 2-except emphasize wilderness and other nonmarket resources.
S&PF - Same as Alternative 3
RESEARCH - Same as Alternative 3

ALTERNATIVE 4: ACHIEVE HIGH OUTPUT LEVELS OF BOTH MARKET AND NONMARKET RESOURCES.

NFS - Budget not to exceed 120 percent of FY82 . Responds to 1980 RPA Revised Statement of Policy and maximum contribution to multiple-use.
S&PF - Reflects budget levels indicated in the 1980 RPA Program.
RESEARCH - Program will provide technology needed to support production, protection, and utilization.

ALTERNATIVE 5: REDUCE FEDERAL EMPHASIS ON RENEWABLE RESOURCE MANAGEMENT. ENCOURAGE STATE AND LOCAL GOVERNMENTS AND THE PRIVATE SECTOR TO INCREASE MARKET AND NONMARKET OUTPUTS. ALL PROGRAMS WILL BE BELOW CURRENT LEVELS.
NFS,S&PF,RES -- All budget levels 25 percent below FY82.

ALTERNATIVE 6: IMPLEMENT NATIONAL FOREST AND RESOURCE MANAGEMENT PLANS, FOREST RESOURCE PLANS, AND RESEARCH PROGRAM PLANS.

NFS — Display preferred forest alternatives or 1980 RPA level.
S&PF -- Display state preferred plan.
RESEARCH -- Responds to needs in regional plans and is constrained by 1980 RPA recommended program budget.

ALTERNATIVE 7: PROVIDE RESOURCE OUTPUTS AT ECONOMICALLY EFFICIENT LEVELS, SUBJECT TO MEETING MINIMUM LEGAL REQUIREMENTS AND PROTECTING COMMUNITY STABILITY.

NFS -- Maximize present net value (PNV) of all resources.
S&PF -- Include those activities where benefits are cost effective, based on real rates of returns.
RESEARCH -- Program ranked by experts for effectiveness and relative cost-effectiveness ratios.

ALTERNATIVE 8: IMPLEMENT THE 1980 RPA PROGRAM DIRECTION.
NFS -- 1980 RPA outputs
S&PF -- None (shown in Alternative 4)
RESEARCH -- None (shown in Alternative 6)

ALTERNATIVE 9: HIGH PRODUCTIVITY OF MARKET OUTPUTS WITH EMPHASIS ON TIMBER PRODUCTION.

NFS -- Maximise timber production and high market outputs that are economically viable.
S&PF -- Simillar to Alternative 7, higher emphasis on forest pest management.
RESEARCH -- Focus on maximizing NFS timber production.

Summary—1985 RPA Program Update

The Forest Service analysis provides a program which approximates the level of Alternative 6 by 2000 and beyond, for NFS and S&PF. This level is associated with the preferred program level in forest plans, where available, for the National Forest System. For State and Private Forestry, the analysis reflects the State/Federal cooperative program needed to meet the State goals identified in Statewide Forest Resource Plans. For Research, the analysis fits program emphasis in Alternative 4 which provides moderate to strong support for needs in the Assessment in a balanced market-nonmarket program.

The RPA budget level in 1986 is the same for all program areas as the Forest Service budget request for 1986. After 1986, growth in the program funding reflects a gradual change from the current program mix of activities to the mix needed to accomplish short - and long-term objectives. Emphasis is made of priority needs such as near-term supply requirements for timber and other market outputs; high priority initiatives for wildlife and fish and recreation resource areas; forestry goals identified by Statewide Forest resource planning; and the highest priority research initiatives resulting from emerging issues or opportunities for improving management effectiveness.

The following discussion characterizes the program levels in the Forest Service analysis:

National Forest System

The 1986 programmed timber sales offering of 11.5 billion board feet will increase to 15.6 billion board feet by 2030. This includes 240 million board feet of departure volume in 1990, decreasing to 110 million board feet in 2030.

Permitted grazing will begin at 9.8 million AUMs in 1986, and increase to 11.3 million by 2030. About 75 percent of the allotments will be managed under plans based on range analysis in 1986; this will increase to 96 percent in 2030.

Recreation use will increase from 219 million RVDs in 1986 to 402 million RVDs in 2030, about an 86 percent increase. About 80 percent of the recreation use will be at established quality and management standards by 2030. Wilderness designations will increase from 34 million acres in 1986 to 37 million acres in 2030.

This program level will meet or exceed Forest Service management objectives and recovery schedules by the year 2000 for endangered, threatened, and sensitive species. Carrying capacity for species commonly hunted and fished will drop 5 to 10 percent from 1986 to 1990. After 1990 the capacities will generally increase to the current level by the year 2000.

Commercial harvest level of anadromous fish will increase from 106 million pounds in 1986 to 177 million pounds in 2030.

Energy production will increase 43 percent, from 9.3 quads in 1986 to 13.3 quads in 2030 (A quadrillion is 1,000 trillion British thermal units).

State and Private Forestry

This program level will move toward implementation of the State preferred program (Alternative 6) by 2000. However, program activities, outputs, and costs will start at the estimated FY 1986 budget level and increase at a 7.1 percent annual rate until 1990 to provide a transition to the States preferred level.

The Forest Service analysis showed the program level at 2000 to be most responsive to the 1979 Assessment and its Supplement, national goals, and public comment. It reflects the State/Federal cooperative program needed to meet State forestry goals as identified in Statewide Forest Resource plans.

The emphasis of the program is to increase and extend timber supplies through increased technical assistance to nonindustrial private forest (NIPF) land-owners, and technical assistance to loggers and processors to encourage more complete and efficient use of wood. A moderate level of forest insect and disease protection on state and private lands, and a high level of protection on Federal lands will be commensurate with resource production. Increased timber-related management assistance will provide induced benefits for nonmarket resources on NIPF lands. Particular emphasis will be placed on soil erosion reduction and maintaining water quality. Planning assistance and management improvement will reflect implementation of Statewide Forest Resource Plans with States continuing to assume a greater role in S&PF Programs over time. Fire protection capabilities will improve as the program moves closer to the economically efficient level in fire management.

Research

Research at this program level will provide moderate to strong support for national and international needs stated in the 1979 Assessment and the Assessment Supplement. It will provide strong support for National Forest System technology needs identified in the forest planning process. The program mix will be similar to the current research program. This will allow for continuity of studies and experiments in timber regeneration, disease and insect control, water quality, and fish and wildlife habitat. Forest inventory and timber demand analyses will also be continued for use in future Assessments and other work required by statute. At the same time, new research will produce information and technology to produce forest outputs more efficiently, and protect the forest environment. Emphasis will be placed on developing more intensive timber culture techniques, new biotechnology and genetic information--basic information needed to increase softwood timber productivity and hardwood timber quality. New economic and market information will be developed for strategic decisions needed to keep the United States competitive in world timber trade. In the area of protection, integrated pest management research will be coordinated with major S&PF work. Increased emphasis will also be placed on identifying the effects of acid deposition on tree growth, water quality, and fish and wildlife habitats.

International Forestry

International Forestry will involve all Deputy areas of the Forest Service and focus on three major areas of activity: international forest products trade, technical assistance, and international cooperation and technical exchanges. The program will be aimed at identifying and facilitating international forest products trade opportunities; assisting in the mitigation of major international forestry problems, such as tropical deforestation; and increasing work on forestry problems of mutual concern worldwide such as fire, insect, and disease control. As compared with the 1982 level of International Forestry expenditures ($4.6 million), the program will start at $6.1 million in 1986 and rise to $14.9 million by 2030. This is the program level shown in Alternative 7 of the DEIS.

RPA Program: National Summary

INDICATOR	UNIT OF MEASURE	HISTORIC TRENDS 1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
National Forest System (NFS)												
Timber Offered	Billion Board Feet	11.4	10.9	11.0	11.5	12.4	12.4	12.2	11.1	11.5	11.7	11.2
Permitted Grazing	Million AUMs	9.3	9.5	9.9	9.8	9.8	9.8	9.8	9.9	9.8	9.8	9.8
Recreation Use 1/	Million Visitor Days	199.2	199.0	204.8	218.5	220.2	233.5	235.7	233.4	227.5	240.0	240.0
Wilderness	Million Acres	12.1	12.8	12.8	14.8	17.0	19.0	25.2	25.2	25.5	*	*
Wildlife/Fish Use	Million User Days	*	*	*	*	*	*	*	*	*	*	*
Total Roads	Miles	*	*	*	*	*	*	*	*	*	*	*
Timber Purchaser Road Const/Reconst	Miles	8844	8611	8573	9750	10042	9562	8835	6884	6305	8552	9105
Total NFS Cost	Million '82 Dollars	*	*	*	*	*	*	*	*	*	*	*
Appropriated	Million '82 Dollars	986.8	1362.9	1683.7	2177.2	2288.0	2281.2	2171.5	1798.8	1915.8	1764.5	1730.8
State and Private Forestry (SAPF)												
Reforestation	Thousand Acres	*	189.0	138.0	316.0	385.0	466.0	497.0	444.0	513.0	376.0	*
Timber Stand Improvmt.	Thousand Acres	*	194.0	152.0	275.0	229.0	232.0	300.0	309.0	314.0	189.0	*
Improved Wood Utiliz.	Million Cubic Feet	*	141.0	182.0	164.0	157.0	172.0	178.0	138.0	116.0	24.0	*
Total SAPF Cost (Appro)	Million '82 Dollars	76.7	89.3	66.8	99.4	99.7	86.8	80.1	66.5	83.6	78.5	*
Research (Costs in Million ('82) Dollars)												
Timber		58.9	59.1	63.6	72.5	70.0	67.8	73.5	59.3	53.5	52.3	58.5
Range-Recreation-Wilderness-Wildlife		10.7	11.4	12.0	15.9	15.7	12.9	13.4	11.3	10.4	10.3	11.8
Water, Soils and Minerals		17.9	16.5	15.8	16.5	16.4	13.7	13.7	11.4	10.5	10.3	10.8
Protection		43.3	45.2	42.5	42.1	36.9	37.2	37.6	30.0	28.7	27.5	27.9
Total Cost Research (Appro)		135.4	132.9	135.0	150.8	146.5	135.9	141.5	127.1	116.8	113.3	125.0
Forest Service												
Total Cost (Appro)	Million '82 Dollars											

1/ Recreation and Wilderness Use are combined.

RPA Program: National Summary (cont'd)

INDICATOR	UNIT OF MEASURE	FOREST SERVICE ANALYSIS 1986	1987	1988	1990	1995	2000	2030
National Forest System (NFS)								
Timber Offered	Billion Board Feet	11.32	11.30	11.45	11.61	12.62	13.38	15.61
Permitted Grazing	Million AUMs	9.8	9.8	9.9	10.0	10.1	10.3	11.3
Recreation Use 1/	Million Visitor Days	232	240	248	258	272	314	426
Wilderness	Million Acres	34.2	34.3	34.4	36.5	36.8	37.3	37.4
Wildlife/Fish Use	Million User Days	23.4	24.9	25.5	26.6	29.3	32.8	38.9
Total Roads	Miles	9753	10267	10409	11296	11980	12291	13467
Timber Purchaser Road Const/Reconst	Miles	8014	8189	8332	8992	9001	9454	10192
Total NFS Cost	Million '82 Dollars	1727.3	1781.7	1844.1	2017.5	2239.9	2484.9	2500.0
Appropriated	Million '82 Dollars	1553.2	1599.5	1636.5	1796.2	1973.9	2157.3	2208.7
State and Private Forestry (S&PF)								
Reforestation	Thousand Acres	520	613	697	866	919	986	1061
Timber Stand Improvmt.	Thousand Acres	309	341	373	438	512	564	653
Improved Wood Utiliz.	Million Cubic Feet	117	126	133	145	186	239	250
Total S&PF Cost (Appro)	Million '82 Dollars	81.3	63.8	66.5	73.6	89.7	128.5	138.7
Research (Costs in Million ('82) Dollars)								
Timber		55.5	57.5	62.0	77.4	84.3	85.3	86.6
Range-Recreation-Wilderness-Wildlife		11.5	13.0	14.9	18.4	20.8	21.5	21.4
Water, Soils and Minerals		10.5	11.5	12.3	14.8	19.5	19.6	15.9
Protection		22.4	23.5	24.9	29.3	32.9	34.2	33.8
Total Cost Research (Appro)		117.6	129.6	141.5	175.1	180.0	195.0	199.1
Forest Service								
Total Cost (Appro)	Million '82 Dollars	1752.1	1792.7	1864.1	2044.9	2253.6	2400.8	2807.5

1/ Recreation and Wilderness Use are combined.

Outputs for Wildlife & Fish and Recreation reflect base program only and not special initiatives.

A range of wilderness acreages for each time period will be included in the recommended program - the figures shown here are the midpoint of this range.

RPA Goals

Timber

MEET GROWING DOMESTIC AND EXPORT DEMANDS FOR WOOD PRODUCTS BY USING ECONOMIC OPPORTUNITIES FOR MANAGEMENT AND ASSISTANCE, AND BY DEVELOPMENT OF NEW TECHNOLOGY TO INCREASE AND EXTEND TIMBER SUPPLIES WHILE PROTECTING THE ENVIRONMENT AND PROVIDING OPPORTUNITIES FOR WILDLIFE, RECREATION, AND OTHER MULTIPLE USES OF FOREST LANDS.

Range

PROVIDE FORAGE TO PROMOTE THE ECONOMIC STABILITY OF DEPENDENT LIVESTOCK PRODUCERS AND RURAL COMMUNITIES BY MAINTAINING THE CURRENT LEVEL OF FORAGE PRODUCTION ON NATIONAL FOREST SYSTEM LANDS, AND EXPANDING THIS LEVEL OF PRODUCTION WHERE COST EFFECTIVE. DEVELOP AND APPLY TECHNOLOGY, WHERE COST EFFECTIVE, TO IMPROVE RANGE CONDITIONS AND TO COORDINATE LIVESTOCK AND OTHER MULTIPLE USES OF RANGELAND.

Recreation

PROVIDE OUTDOOR RECREATION OPPORTUNITIES AND EXPERIENCES BY PROVIDING ACCESS, SERVICES, AND FACILITIES, WHERE COST EFFECTIVE, THAT ARE NECESSARY TO MEET THE NATIONAL FOREST SYSTEM SHARE OF THE NATIONS'S DEMAND FOR OUTDOOR RECREATION, CONSISTENT WITH OTHER RESOURCE USES AND VALUES. PROVIDE TECHNOLOGY TO IMPROVE AND EXTEND RECREATION OPPORTUNITIES. MOVE TOWARD RECREATION USERS ASSUMING A GREATER SHARE OF THE COST OF PROVIDING RECREATION OPPORTUNITIES.

Response

Timber

In response to timber demands projected in the Assessment, timber offered for sale from the National Forest System begins at 11.5 BBF in 1986 and increases to 15.6 BBF by 2030. Economic opportunities in the long term and short term, and economic values of other resource benefits are considered within the timber harvest program. Most of the timber volume offered will generate revenue exceeding costs. In some regions a significant amount of timber is harvested to benefit other objectives such as improved wildlife habitat, increased recreation opportunity or community stability. For S&PF, the program will provide higher timber outputs through increased technical assistance to nonindustrial landowners, and technical assistance to loggers and processors to encourage more complete and efficient use of wood. The major emphasis from Research is on increasing softwood timber productivity and hardwood quality, improving the forest inventory, and improving resource supply and demand information.

Range

Permitted grazing on National Forests and Grasslands begins at 9.8 million AUMs in 1986 and reaches 11.3 million AUMs by 2030. Increasing outputs are based on the economic opportunities, other resource benefits, and the needs of dependent producers and communities. Range research will be aimed at greater productivity, providing improved habitat for game and nongame species, improved outdoor recreation opportunities, and improved watershed conditions.

Recreation

The Assessment projects large increases in national demand for outdoor recreation. In response, recreation use on National Forests begins at 219 million RVDs in 1986 and reaches 402 million RVDs by 2030. This expanding program capitalizes on cost-effective opportunities including utilization of the induced recreation benefits from other resource activities, effective use of the volunteer programs, and implementation of an initiative to protect current investments. State and Private Forestry will contribute to the achievement of the recreation goal by forest landowners technical assistance for improving access to lands for outdoor recreation particularly near urban areas of the Northeast.

RPA Goals

Wilderness

MANAGE NATIONAL FOREST WILDERNESS AND PROVIDE RESEARCH TO ENHANCE THE QUALITY OF WILDERNESS EXPERIENCES AND MEET OTHER PURPOSES OF THE WILDERNESS ACT. RECOMMEND ADJUSTMENTS WHERE APPROPRIATE TO THE NATIONAL WILDERNESS PRESERVATION SYSTEM BASED ON THE RELATIVE VALUES INVOLVED IN A WAY WHICH COMPLETES THE NATIONAL FOREST PORTION OF THAT SYSTEM TO BEST MEET THE NEEDS OF THE AMERICAN PEOPLE.

Wildlife and Fish

ASSURE A DIVERSE, WELL-DISTRIBUTED PATTERN OF HABITATS FOR VIABLE POPULATIONS OF WILDLIFE AND FISH SPECIES IN COOPERATION WITH STATES AND OTHER AGENCIES. PROVIDE TECHNOLOGY AND MANAGE HABITAT TO HELP RECOVER THREATENED AND ENDANGERED SPECIES AND INCREASE THE PRODUCTIVITY FOR NATIVE GAME AND NONGAME SPECIES CONSISTENT WITH OTHER RESOURCE USES AND VALUES AND USER DEMANDS.

Minerals and Energy

PROVIDE FOR MINERAL PROSPECTING AND EXPLORATION, AND RESPOND TO PROPOSALS FOR MINERALS DEVELOPMENT, IN CONCERT WITH OTHER RESOURCE USES AND VALUES, AND PROVIDE TECHNOLOGY FOR RECLAMATION OF DISTURBED LANDS. EMPHASIZE ENERGY MINERALS AND MINERALS OF STRATEGIC IMPORTANCE.

Water

PROVIDE FOR FAVORABLE CONDITIONS OF WATERFLOW, HELP PROVIDE FOR CONSUMPTIVE AND NONCONSUMPTIVE USES OF WATER, AND HELP MEET LONG-TERM WATER QUALITY NEEDS THROUGH MANAGEMENT, ASSISTANCE, AND TECHNOLOGY. INCREASE WATER YIELDS WHERE COST EFFECTIVE IN WATER-SHORT AREAS, CONSISTENT WITH OTHER RESOURCE USES AND VALUES. REDUCE FLOOD LOSSES WHERE ECONOMICALLY FEASIBLE.

Response

Wilderness

Wilderness acres, which reflect recent and anticipated legislation, are 34 million in 1986 and reach 37 million in 2030. The affect of the additional wilderness designations is incorporated in the analysis. Research will be directed at improved management and protection techniques.

Wildlife and Fish

The Assessment projects future increases in all kinds of wildlife and fish use; this program responds with balanced attention to all habitats which provide for use (WFUDs) starting at 23.3 million in 1986 and reaching 38.4 in 2030. Under a special initiative, commercial fisheries output levels will increase by approximately 80 percent during the planning period. The program emphasizes T and E species and establishes an initiative to generate habitat capability increases for T&E and sensitive species in cooperation with States and other agencies. Assistance to private landowners for wildlife and fish will occur mostly in the East where private forest lands comprise a large portion of the total, and where hardwood stands favor a wide variety of game and nongame animal species. Research would concentrate on determining management to improve habitat and opportunities to integrate fish and wildlife production with other land uses.

Minerals and Energy

A receptive environment for mineral discovery and improved permit and leasing processes will provide for production of energy and nonenergy minerals from NFS lands to increase about 30 percent and 50 percent, respectively, between 1986 and 2030. NFS management and research will emphasize improved techniques for mitigating impacts from surface mining activities.

Soil, Water, and Air

Management on National Forest lands will maintain or enhance long-term water yield and water quality. State and Private Forestry technical assistance will emphasize land management practices that maintain water quality and long-term soil productivity. Research will focus on development of improved water management technologies and analysis of acid rain effects.

RPA Goals

Protection and Support

COMMENSURATE WITH NATURAL RESOURCE GOALS FOR FOREST AND RANGE LANDS, PLAN AND EXECUTE COST-EFFECTIVE PROTECTION AND PROGRAM SUPPORT IN FACILITIES, FIRE, PESTS, LANDS, AND OTHER SUPPORTING ACTIVITIES. EMPHASIZE PREVENTION, AND WHERE APPROPRIATE, MITIGATION OF RESOURCE LOSS AND-DAMAGE. COOPERATE WITH LOCAL, STATE, OTHER FEDERAL AGENCIES, AND PRIVATE LANDOWNERS IN RESEARCH, FOREST PEST MANAGEMENT, WILDLAND FIRE MANAGEMENT, AND OTHER RESOURCE PROTECTION PROGRAMS. PARTICIPATE IN ECONOMICALLY PRODUCTIVE HUMAN RESOURCE PROGRAMS THAT SUPPORT COMMUNITY DEVELOPMENT AND STABILITY.

International Forestry

EXERCISE LEADERSHIP AND COOPERATION WITH APPROPRIATE UNITED STATES AGENCIES, OTHER NATIONS, AND INTERNATIONAL ORGANIZATIONS TOWARD ASSISTING OTHER NATIONS IN IMPROVING MANAGEMENT OF THEIR FOREST AND RANGE LAND RESOURCES SO AS TO MEET THEIR OWN NEEDS, PROTECT THE GLOBAL ENVIRONMENT, AND AVOID EXTINCTION OF SPECIES. IDENTIFY POTENTIAL OPPORTUNITIES FOR INTERNATIONAL TRADE IN FOREST PRODUCTS. ENGAGE IN INTERCHANGE OF RESEARCH AND TECHNICAL ASSISTANCE WITH OTHER NATIONS.

Response

Protection and Support

Protection and Support activities for NFS programs in aviation and fire, land management, and human resource programs will be at minimum levels. Facilities support (buildings and roads) also will be at minimum levels from 1986-1990 and then will increase to meet the need for rehabilitation and reconstruction. Cooperative fire protection will be enhanced by improved economic efficiency of fire programs commensurate with the value of resources, products and property protected. A high level of forest insect and disease protection on Federal lands, and a moderate level of protection on State and private lands will be achieved with S&PF planning assistance and management improvement efforts aimed toward States assuming greater responsibility. Research will emphasize integrated pest management systems and improved fire management techniques.

International Forestry

International Forestry efforts will double between 1986 and 2030, and respond to the goal by identifying and facilitating international forest products trade opportunities, assisting in the mitigation of major international forestry problems, such as tropical deforestation, and control of fire, insects, and diseases. Increasing cooperation and involvement in International Forestry will occur in the NFS, S&PF, and Research programs to meet these needs.

Economic Effects

Compared with the DEIS alternatives, the Forest Service program analysis has one of the highest measures of economic efficiency. The present net value (PNV) of this alternative is 100.34 billion. For comparison, the present net value of Alternative 7 (high value) is 101.88 billion and the PNV for Alternative 9 (high productivity) is 94.16. These PNV measures include outputs from all NFS program areas.

The Forest Service analysis has a high measure of economic efficiency because it: (1) is structured to respond conservatively to population and per capita income increases -- that is, early year limits on annual funding changes keep prices high; (2) includes a plan to revitalize and maintain existing capital investments and thus avoids major rebuilding costs; and (3) provides for a smoother transition from the current Forest Service program so that implementation dos not require abrupt organizational changes.

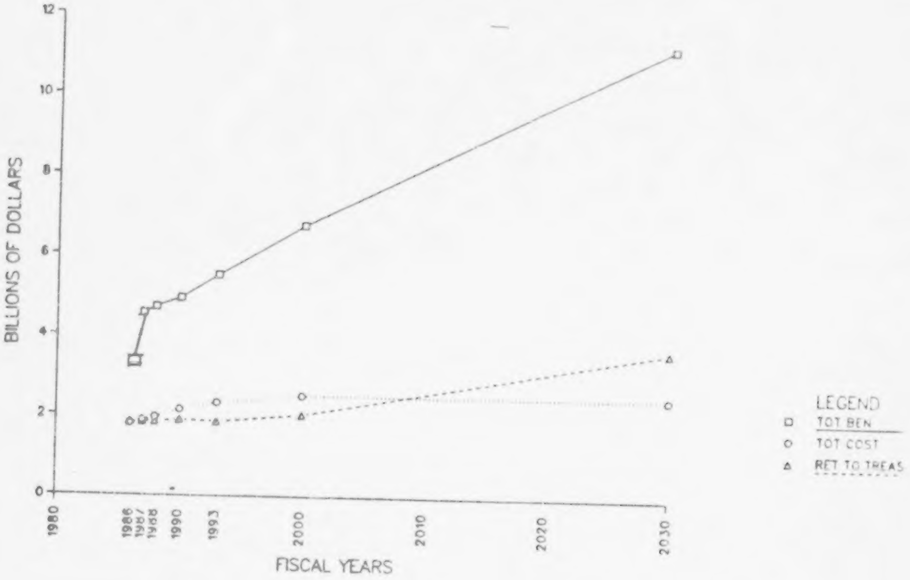
Additionally, this alternative is structured so that the present value of projected total returns to the U.S. Treasury will approximately equal the present value of total costs. Expressed in present value terms this alternative has returns of $44.78 billion and $50.46 billion of costs. On an annual basis, receipts will exceed program costs after about 2010. These are conservative estimates since only those outputs that are sold are included.

As required by law, the lands administered by the Forest Service are managed under the multiple use philosophy. Many of the products and services produced do not generate large returns to the Treasury and are not valued directly in the market place. These non-market outputs include recreation, wilderness, wildlife and fisheries. When the consumer benefits of these outputs is included the benefit cost ration is 3.09 of present value benefits to each $1 of present value costs. The benefit and cost data for this alternative are shown in the following figure.

The total benefits in the economic efficiency calculations are comprised of 33 percent direct returns to the Treasury (one quarter of which are returned to the States) and 67 percent consumer benefits.

The returns to the Treasury are produced by the minerals, recreation, range, and timber program areas. In present value dollars, the returns to the Treasury will be $3.47 billion from minerals, $39.43 billion from timber, $1.47 from recreation, and $.41 from range.

Implementing this alternative will also produce significant positive economic impacts --- including increased community stability and incresed economic activity in each region.



ECONOMIC EFFECTS – NATIONAL ANALYSIS

National Summary of Economic Effects

EFFECTS	UNIT OF MEASURE	FOREST SERVICE ANALYSIS				Alternative 1 Constant Output			Alternative 2 Market			Alternative 3 Non-market			Alternative 4 All Resources		
		1986	1990	2000	2030	1986	1990	2030	1986	1990	2030	1986	1990	2030	1986	1990	2030
ECONOMIC																	
PNV - Total (NFS only)	Bil $ (4%)	100.2				63.0			80.2			101.0			93.3		
PNV - Market (NFS only)	Bil $ (4%)	22.1				30.9			30.0			17.1			10.0		
PNV - Receipts	Bil $	-0.7				.4			-11.7			-7.7			-10.3		
Total Cost	Bil $	1.8	2.1	2.3	2.3	2.0	2.1	1.8	2.3	2.7	2.8	2.1	2.4	2.4	2.3	2.7	2.7
Total Benefits	Bil $	3.1	6.8	9.9	11.2	4.1	6.2	6.6	4.5	9.0	8.8	4.4	9.1	11.8	4.9	9.3	11.1
Consumer Benefit	Bil $	1.3	3.0	9.0	8.0	2.3	2.4	3.6	2.4	3.0	5.4	2.3	3.3	8.8	2.7	3.3	7.9
Returns to Treasury	Bil $	1.8	1.8	1.9	3.2	1.8	1.9	3.0	1.8	1.9	3.1	1.8	1.8	3.1	1.8	2.0	3.2
Timber Receipts	Bil $	1.4	1.3	1.4	3.0	1.4	1.4	2.8	1.4	1.4	3.0	1.4	1.3	2.8	1.4	1.7	2.9
Recreation Receipts	Bil $	.060	.063	.069	.081	.059	.060	.061	.059	.063	.073	.060	.064	.065	.061	.063	080
Minerals Receipts	Bil $	.148	.170	.170	.130	.144	.160	.137	.157	.173	.160	.194	.167	.130	.158	.175	.142
Range Receipts	Bil $	.018	.018	.019	.021	.018	.018	.018	.019	.020	.024	.018	.018	.017	.018	.019	.020

National Summary of Economic Effects (cont'd.)

EFFECTS	UNIT OF MEASURE	ALTERNATIVE 6 Implemented Plans			ALTERNATIVE 7 High Value			ALTERNATIVE 8 1980 RPA			ALTERNATIVE 9 High Productivity			Alternative 5A High Wilderness		
		1986	1990	2030	1986	1990	2030	1986	1990	2030	1986	1990	2030	1986	1990	2030
ECONOMIC																
PNV - Total (NFS only)	BIL $ (4%)	90.0			101.9			89.7			94.2			101.7		
PNV - Market (NFS only)	BIL $ (4%)	20.4			24.3			20.6			17.0			18.9		
PNV - Receipts	BIL $	-7.7			-9.6			-8.4			-15.8			-11.2		
Total Cost	BIL $	2.2	2.6	2.6	2.2	2.5	2.4	2.3	2.6	2.6	2.3	2.8	3.0	2.5	2.8	2.8
Total Benefits	BIL $	4.4	4.9	11.1	4.5	5.3	11.7	4.4	4.9	10.8	4.5	5.3	12.0	5.1	5.9	13.9
Consumer Benefit	BIL $	2.5	3.0	7.6	2.7	3.4	8.4	2.6	3.0	7.4	2.7	3.4	8.7	2.9	4.0	10.5
Returns to Treasury	BIL $	1.6	1.9	3.4	1.8	1.9	3.3	1.8	1.9	3.4	1.8	2.0	3.2	2.2	2.0	3.4
Timber Receipts	BIL $	1.6	1.7	3.2	1.6	1.7	3.1	1.6	1.7	3.2	1.6	1.7	3.0	1.9	1.7	3.2
Recreation Receipts	BIL $	.060	.063	.080	.060	.063	.081	.061	.064	.078	.059	.061	.080	.071	.074	.096
Minerals Receipts	BIL $	.158	.170	.138	.159	.175	.151	.190	.172	.149	.165	.173	.160	.160	.154	.167
Range Receipts	BIL $	.018	.019	.020	.018	.018	.018	.018	.019	.020	.019	.020	.022	.019	.019	.018

REGION 6 TIMBER SALES

Mr. **AuCoin**. I want to ask you some questions before we get into fiscal year 1987. I want to ask some questions of you, Chief, about the 1986 program, and specifically about the Region 6 timber sales program. The fiscal year 1986 Continuing Resolution Conference Report called for a program of 4.9 billion board feet of net merchantable timber in 1986. Gramm-Rudman cut that to just under 4.7 billion board feet.

In early 1986, the Forest Service Region 6 office calculated only 4.1 billion board feet could be sold. That was based on calculations that are somewhat mysterious and have been to people throughout the region. Last week, though, the Forest Service suddenly said it could meet a 4.6 billion board feet net merchantable target. If that is the case, it would appear that you have nearly come to terms with the 1986 timber sales program for Region 6 which this committee appropriated for you.

What is the level of net merchantable timber that the Forest Service will sell out there in the current fiscal year, given the rather tortuous path we have followed so far?

Mr. **Peterson**. Mr. Chairman, barring major lawsuits or other interruptions of the program, which neither you nor I might be able to control, we fully expect the region will offer 4.6 billion board feet in fiscal year 1986. I can assure you that the consternation that accompanied all these various numbers that flowed out have been a matter of substantial concern to us and to you, and we have had regional people go through the numbers there, came over here and went over them with us and discussed them with the Forest Service and I think the confusion level is at least gone now, what the numbers mean. The 4.6 billion board feet of net merchantable will probably mean somewhere around 5.3 total.

Mr. **AuCoin**. Is that gross?

Mr. **Peterson**. Right, gross.

Mr. **AuCoin**. How do you explain the confusion? The committee and the conferees on the conference report were fairly explicit about what we intended to be appropriated, the sum of money based on a hearings record that made it clear we were talking about net merchantable timber, made it clear we wanted to make maximum use of buyout so as to eliminate as much of the need to turn to new green sales as possible. The record is fairly clear here in Washington. What happened?

Mr. **Peterson**. I would say all things that are clear on the banks of the Potomac are not always clear in other places. We changed from the historic way of stating timber programs from an all products to net merchantable saw timber. This was unique to this 1986 budget. We also stated a total volume, or the Congress did, in total.

Mr. **AuCoin**. For the record, when we talk about net merchantable timber as opposed to a gross volume, what are we talking about?

Mr. **Peterson**. We are talking about timber that is not of saw timber size. Maybe very sound wood, maybe green in fact, but it is not saw timber size. It would typically be used for pulp or this type of thing.

Mr. **AuCoin**. Firewood?

Mr. PETERSON. We are not reporting anything in this except commercial firewood. We are not reporting personal use firewood, but we are talking about the things that you don't make boards out of.

Mr. AUCOIN. That is the gross figure?

Mr. PETERSON. No. I would rather not use gross because there is a lot of defect in these trees that is not counted in any of the figures. For example, the rot and this type of thing is not counted. We are only counting in the all products commercial wood, but it may not be saw timber. It may be pulp, may be poles, or some other things. But for years and years, we reported to Congress in terms of equivalent volume of all products. We converted it to board feet for convenience. It has not all been boards, but we have stated it as board feet.

Now, when Congress passed a Timber Sale Contract Payment Modification Act and put a lid in Region 6 both in terms of total volume and in the amount that could be offered in one year, we introduced for the first time the net merchantable saw timber idea. That varies from year to year, depending on what market is out there, and depending on the sales you put up. We gave an estimate of the difference between net merchantable saw timber and total products in last year's hearings.

Mr. AUCOIN. Have you tracked net merchantable timber in past years?

Mr. PETERSON. Sure. It varies all the way from about 8 percent up to about 19 percent.

Mr. AUCOIN. So it is not a foreign concept in terms of calculations?

Mr. PETERSON. But it's not very predictable from one year to the next.

Mr. AUCOIN. But it is not a foreign concept either?

Mr. PETERSON. No, it is not a foreign concept. It is a foreign concept in controlling the program based on that, but we have never controlled our program based on that.

Mr. AUCOIN. So the Congress said the buyout would be a net merchantable timber, but where did the confusion come from?

Mr. PETERSON. I think the confusion came from where we were getting turned back sales that were being stated as net merchantable saw timber in the purposes of the Act. The region had returned that program to us based on total volume, all products.

Mr. AUCOIN. They didn't read the Act?

Mr. PETERSON. The regional office did, but some people in the field level didn't read it, probably. We here, and you being on the committee, know very specifically what that Act says. But as you and I discussed, the region also had become experts in turnback sales. They had to become experts in land transactions. They had to become experts in this recalculation of the 25 percent funds. They had to deal with service program interchange. When you get down to the district level, it's not always as clear as it was to the authors.

Mr. AUCOIN. In retrospect, Chief, would you say that Washington should have done a better job in making it clear to the hard-pressed people at the local areas exactly what the intent was of the Congress?

Mr. PETERSON. Yes, no question about it.

Mr. AuCoin. There is a failure here.

Mr. Peterson. Yes. We assumed, when we sent it out as net merchantable saw timber, there would be an immediate translation of that and when we then put the Gramm-Rudman on top of that and got the report back from the field in March we recognized things weren't adding up.

REGION 6 TIMBER FLOW

Mr. AuCoin. Well, now, the other part of this problem is the volume flow.

Mr. Peterson. Yes.

Mr. AuCoin. And I am disturbed about the inability of the region's forests to meet half of the annual target set forth for the fiscal year. I have done some checking and my staff has done some checking, and according to the information I have received from the Region 6 office, only 37 percent of the sales target was met in the first half of the fiscal year. That was based on your earlier lower estimate of sale program, 37 percent of the lower estimate. So, making sure everyone understands here, and making sure the record is clear, what went wrong in the first half of this year?

Mr. Peterson. This is where I would differ with you. I think the region has done an amazingly good job in dealing with a tremendously complicated situation. Remember that all these turnback sales came back to them in late September. They had to examine all those turnback sales and recalculate the volumes because almost every sale had something done on it.

Mr. AuCoin. Let's track the calendar again. What was in September?

Mr. Peterson. They had until September 25–26 for the companies to turn in their sales.

Mr. AuCoin. Why was that the deadline? Is that when the regulations were finally operative?

Mr. Peterson. The regulations were issued on June 27 and they had 90 days to make the decision of when to turn back.

Mr. AuCoin. What did the law say in terms of how long the regulation should take to be issued?

Mr. Peterson. The law indicated 90 days.

Mr. AuCoin. How long did they take to actually be issued?

Mr. Peterson. I haven't calculated that difference.

Mr. AuCoin. Two hundred thirty-some days sound approximately right?

Mr. Peterson. We will go from October 16 to June. What I am saying, don't blame the field for that.

Mr. AuCoin. I am not blaming the field for that.

Mr. Peterson. I think the field has done a good job of what they had to work with that first half.

Mr. AuCoin. I am talking about right here at this level. We had a delay in the regulations, didn't we, and that is why out in the field they couldn't start work until September in terms of this buyout program; isn't that right?

Mr. Peterson. That's right.

Mr. AuCoin. And whereas the law said that the agency should take 90 days developing the regulations for the buyout, the program actually took over 200 days, putting them in a September position to begin that.

Mr. PETERSON. When you do things like put 90 days in the laws, you don't remove any of the hoops we have to go through to get there. It requires a public review period which in itself can't be gotten through in 90 days.

Mr. AUCOIN. What was the hangup?

Mr. PETERSON. It was all the way along the line in all the procedural requirements to get regulations in place.

Mr. AUCOIN. Was there any dispute between the BLM and the Forest Service that led to that delay?

Mr. PETERSON. I don't think there was any dispute. There was quite a bit of coordination between the two agencies on regulation. There was some difference of opinion on the specific provision of the law. We had to go all the way to the counsel of both Interior and Agriculture to get answers on them.

Mr. AUCOIN. Were you required to go to any of the respective counsels of the two agencies?

Mr. PETERSON. Correct.

Mr. AUCOIN. That difference of opinion might be adequately described as a dispute, then, if it were that serious?

Mr. PETERSON. I guess the lawyers say difference of opinion. At least it held it up.

Mr. AUCOIN. So, finally, after all of that, after those disputes, BLM lawyers versus Forest Service lawyers, finally in September the program is on go?

Mr. PETERSON. That is when we got the sales back. Then the region had to review all of those and then get back to the company. And they might say your multi-sale extension plan, we have agreed to all the sales except two or three or something else, in which case they could revise their program. The region had to do all of their field examination of these sales, their detailed field examination of sales before they could bill people and deal with the buyout. So they essentially put about all the available force in the field in doing that. So I think——

Mr. AUCOIN. Under incredible pressure.

Mr. PETERSON. Right. So I think the field, considering the fact that they have offered somewhere around 40 percent of their fiscal year 1986 sales in the first six months, I honestly think that is a good record.

Mr. AUCOIN. Well, 37 percent of your earlier lower estimate, if you take your higher estimate of 4.6 billion board feet that is about 42 percent for the first half.

Mr. PETERSON. You and I have slightly different numbers. I have 45.2 percent of the higher number as of the end of March.

Mr. AUCOIN. What do you have as the total for the first half for Region 6?

Mr. PETERSON. 2.25 billion board feet.

Mr. AUCOIN. The region gave me a document dated March 12 that said 1.834.

Mr. PETERSON. You didn't add the first quarter to that. That is the second quarter.

Mr. AUCOIN. This is a projected percentage completed by 3/31/86.

Mr. **Peterson**. We have the first quarter sold 417.6 million; the second quarter sold 1.83 billion. If you add those two together, you get 2.23 billion, which is 42 percent of 5.2 billion.

Mr. **AuCoin**. You say you sold 1.83 billion in the second quarter alone. What would that be on an annualized rate? That sounds like an amazing——

Mr. **Peterson**. It would be 5.6 billion board feet.

Mr. **AuCoin**. I think it is more than that, Chief.

Mr. **Peterson**. Okay, it is one-fourth. That is right. 7.2 billion, you are right.

Mr. **AuCoin**. That doesn't sound right.

Mr. **Peterson**. Well, remember, 200 million of that was reoffered. Two hundred million volume, of that second quarter was reoffered.

Mr. **AuCoin**. What I am saying is, I think you are counting the second quarter twice in arriving at your number. I am saying that $1.834 is the whole first half.

Mr. **Peterson**. Let us check that overnight. We can verify that overnight. We are reading that as being an additional item.

Mr. **AuCoin**. Okay, we will have some differences over that.

[The information follows:]

Fiscal year 1986 R-6 volume sold

	Million board feet
Quarter:	
1	418
2 estimate	1,416
Total	1,834

REGION 6 TIMBER FLOW

Mr. **AuCoin**. We both agree that it has certainly been depressed volume flow in the first half. It could be 37 percent or 40 percent. As you say, this is a depressed first half. It hasn't been very helpful. Year after year, you have indicated, predictability is one of the most desirable things we need to build into a program. In some districts, is it not true that first half figures are in the 20 percent range?

Mr. **Peterson**. That is correct.

Mr. **AuCoin**. So it is even worse on some district by district bases?

Mr. **Peterson**. Some districts. Let me again point out that this region, Region 6, has been by far the most predictable region in terms of meeting their commitment. So they were faced with an almost insurmountable problem in trying to handle the turnback as well as make new sales, and at the same time they were going through a major reduction in their staff.

Mr. **AuCoin**. I want to make it clear to you this is about the second or third time you have made that point. I want to make it clear I am in no way trying to trash or victimize or harass people out in the local level. I am just saying there has been a major failure of communications here from upstairs to downstairs, otherwise you couldn't have results of even 40 percent for the region for the first half. In some districts, 20 percent.

Mr. **Peterson**. I don't think that was anything to do with communications, I think that has to do with laying the regulation out.

Mr. AuCoin. That is certainly not the district manager's problem.

Mr. Peterson. That is right.

Mr. AuCoin. It is still upstairs, downstairs.

Mr. Peterson. Yes, that doesn't have to do with communications.

Mr. AuCoin. You take the problem and then you take the confusion and the lack of communications about gross figures from the upstairs down to the downstairs, and you have got a real mess on your hands. The numbers show that, don't they?

Mr. Peterson. Well, we have to be careful about adding those together. In the first place, I think Congress has to accept some responsibilities that the 90 days is an impossible start. There was no way that the regulation could be gotten out in 90 days unless you are going to repeal a whole bunch of other laws, which you didn't do. So, yes, I agree with you, it is not the field's fault. Any fault lies with this level.

Mr. AuCoin. The problem of calculating or converting from gross to net merchantable on the buy-back volume is a communications problem.

Mr. Peterson. Yes, no question about that. Had we cured that communications problem I don't think it would have made much difference in how much we produced in the first quarter.

Mr. AuCoin. We wouldn't have had, from January until now, these series of varying figures in terms of estimates of what the sales programs——

Mr. Peterson. That is the concern to me and you, I am sure.

Mr. AuCoin. How important is stable, and even a predictable flow of sales in order to keep bidding behavior?

Mr. Peterson. I think it is very important. One of our primary objectives is to keep a stable and predictable flow of timber sales, no question about it.

TIMBER BIDDING

Mr. AuCoin. What is happening on bidding as you have tracked it over the first half?

Mr. Peterson. It has been spotty in some places. We have had some increase in bidding, but the overall totals are not something to be alarmed about at this point. There have been some locations where we have seen some spot bidding problems, but not overall.

Mr. AuCoin. Do these tend to be in locations where districts have had a depressed first half volume flow?

Mr. Peterson. I don't think I know that much about it. I think that from what I have observed, it has been in places where their sales have been readily accessible and where there was a ready market and somebody was short of timber, you put those together.

Mr. AuCoin. In a district where there is a depressed volume flow in the first half, you would have a shortage of timber?

Mr. Peterson. It could contribute to that, yes.

Mr. AuCoin. How do we avoid this problem in the future?

Mr. Peterson. Well, I guess in perfect hindsight we would have tried to have gotten the help of the Federal Government, gotten the regulations out at least 60 days earlier. I guess we have learned also if we suddenly changed units in measure that have been in place a long time, we need to be sure that change that we knew was made here, everything through the Forest Services understands that. That is a pretty significant thing that people are used to over 80 years of working with another system, and so we need to understand the fact we had to really keep doing that or call that to people's attention.

Mr. AUCOIN. This is a problem that is behind us.

Mr. PETERSON. Yes, sir.

Mr. AUCOIN. How about the problem of these unpredictable volume flows from half to half?

Mr. PETERSON. I think that the regional people have that under control as they go into their 1987 program.

Mr. AUCOIN. Are you going to reach the 4.6 billion board feet program now?

Mr. PETERSON. Yes, sir, we plan to do that, yes. That region has a very good record of meeting their targets.

Mr. AUCOIN. How confident are you in making that projection?

Mr. PETERSON. I am probably more confident in making that projection than I am in safely traveling by airplane or some other things between now and then.

Mr. AUCOIN. You put a good part of your reputation on the line on that?

Mr. PETERSON. Yes, sir. As I said, barring lawsuits and other things that we can't control.

FOREST ROADS

Mr. AUCOIN. Let me ask you a question or two about the road budget. I am looking at page 236 of the budget justification, and just to go back for one moment to the difference of opinion the BLM and Forest Service had over the buy-out legislation, at any point did either agency come to the committees of the Congress which wrote the legislation and had jurisdiction over the legislation to ask for guidance and interpretation?

Mr. PETERSON. I am sure we discussed the legislation with some committee staffers, yes. But I don't think, formally, there was any request that came up. As you know, the opinion of a committee member that is not part of the written record, it can't be used for purposes of interpreting the law.

Mr. AUCOIN. Let's look at page 236 on the road budget. I remember our discussion last year, Chief. You described that for me—this chart—and as I recall your explanation, the first budget area is called FRP here, but generally it supports funding for the purchaser credit program, is that correct?

Mr. PETERSON. That is correct. The top half of this chart.

Mr. AUCOIN. Just draw a line across the top of the chart?

Mr. PETERSON. If you draw a line down where it says "subtotal"—halfway down the page—the numbers above that are the program that is in direct support of either purchaser credit or purchaser election program.

Now, I should point out there is also down below the line, in planning and management, where we show $23.6 million.

Mr. AUCOIN. Yes.

Mr. PETERSON. We have carried some general things like land management planning and so on, where we can't figure out how much of it should belong to purchaser credit or how much of it should belong to hard money construction. We carried some of those things in that item.

Mr. AuCOIN. The question I want to ask though is, as I look to the President's budget request for 1986, we get a subtotal for the FRP of $114.3 million, and then that is out of a total of $195.5.

Mr. PETERSON. Yes, that is correct.

Mr. AuCOIN. Then I look at the column to the right of that, that is the actual allocation based on appropriations. The President's request was reduced from $114.3 million to $101.5 million. Then I look down to that bottom of the chart, which you told me about, which doesn't support the purchaser credit roads, but instead, supports basically hard roads, and I look at the engineering account down there, and I see that though the totals in the budget go from $195.5 million to $188.2 million, there is a reduction in the purchaser credit support road program. It has been cut because of that overall cut from $114.3 million to $101.4 million.

I point that under construction, under the hard road half of this chart, there is an actual increase from $24.4 million to $30.1 million. You would think that if you are reducing the total program you wouldn't have this shift. How do you explain the shift?

Mr. PETERSON. Well, what you have to recognize is that the President proposes and the Congress disposes. When the Congress got through, if you look at the conference report, the conferees did several things. In the first place, they earmarked some money. They earmarked money for hard road construction.

The second thing you did is increase the sale program from 10.7 to 11.4 billion board feet.

The third thing done in the Senate side was to insist that we have a five percent reduction in unit cost by reducing overhead and other things which we did. So we made a shift from the President's budget to the budget based on what Congress did. The Senate specifically asked for us to make—the conferees picked up that we should make a five percent reduction in unit costs and we should decrease overhead and other kinds of costs, decrease planning costs. Then the Congress also earmarked some money for hard road construction.

Mr. AuCOIN. I am looking at the conference report. What earmarks are you referring to?

Mr. PETERSON. Well, it earmarked money for a recreation area in Alabama.

Mr. AuCOIN. That is not roads.

Mr. PETERSON. Yes, it was roads, recreation roads.

Mr. AuCOIN. How much was that?

Mr. PETERSON. Why don't we get Mr. Beasley up?

Mr. AuCOIN. One point three million dollars?

Mr. BEASLEY. Yes, sir.

Mr. AuCOIN. What other?

Mr. PETERSON. The Congress earmarked some other road projects. I don't have the total list.

Mr. AuCOIN. That fully accounts for that shift?

Mr. **Peterson**. The other shift is the fact that you increased the timber sale program from 10.7 to 11.4 billion board feet and directed that we decrease unit costs of roads, particularly by reducing overhead and other kinds of costs. You can't increase the timber sale program from 10.7 to 11.4 billion board feet without any roads to get there. So that change from the President's budget to——

Mr. **AuCoin**. How, then, did the purchaser credit support road programming decrease, do you know?

Mr. **Peterson**. Because we cut overhead and other costs across the board, because that is——

Mr. **AuCoin**. You couldn't cut the overhead?

Mr. **Peterson**. We did. We cut the reconstruction engineering from 10.5 to 7.8 million. We cut construction engineering from $7.0 to $6.6 million. So we made cuts there.

Mr. **AuCoin**. In addition to the designations that you mentioned, I do find some in the conference report. You have made a strong argument that the increase in the timber sales program was a major contributor there. I am thinking back about the timber sales program. New green sales, which require roads, actually were decreased under the timber sales program that we put together, we made a maximum use of buy-out volume.

Mr. **Peterson**. Yes, sir.

Mr. **AuCoin**. Ninety percent of which, according to the record made in hearings last year, were already——

Mr. **Peterson**. No, no. Ninety percent had some roads, but not 90 percent were roads.

Mr. **AuCoin**. We made use of a highly roaded volume.

Mr. **Peterson**. About 50 percent road.

Mr. **AuCoin**. We made use of shelf volume?

Mr. **Peterson**. Yes, sir.

Mr. **AuCoin**. We made use of salvage?

Mr. **Peterson**. You asked us to replace the shelf volume, which requires roads if you are going to replace them. You can't replace shelf volume without roads to get there. That is half a billion feet.

Mr. **AuCoin**. Three hundred million, was it not?

Mr. **Peterson**. Yes.

Mr. **Beasley**. Yes.

Mr. **Peterson**. There was salvage volume we are talking about. All I am saying is, when you went from the President's budget to this allocated appropriations, we had to take the entire action of Congress into consideration. Now I might point out to you these numbers are before the 4.3 percent reduction by Gramm-Rudman, so when you take 4.3 percent off of that, it will be a lesser increase than that.

I might also point out that that $30 million—and, if you decrease it for Gramm-Rudman it's even less—it is almost a $10 million reduction from 1985 after hard money.

ROAD BUILDING

Mr. **AuCoin**. Chief, you know the point I am making. The point I am making is the ratio here. You have an overall cut and yet you have an increase in one category and a decrease in another. Give me a verbal explanation. I think it would be helpful for the committee to provide some kind of chart that enables us to see what mandates you got from the Congress that end up forcing you to this kind of situation as opposed to having arrived at a decrease. Can you do something like that?

Mr. PETERSON. Sure. I guess I am having a hard time understanding your concern, because we are going to meet the outyear levels that you indicated.

Mr. AuCOIN. What outyear level?

Mr. PETERSON. The outyear timber sales levels. If you are going to meet those timber sales levels, you are certainly going to need, at least, that level of road construction to get there.

Mr. AuCOIN. Why are you then cutting the FRP part of the program by $114 million if that is the outyear target?

Mr. PETERSON. That is the purchaser credit. That is the purchaser credit support, that we are doing. You see, again you are reoffering sales, you have reoffered sales to a high degree. The FRP part of this hard money construction has been done before we made the sales, so that is mostly savings of purchaser credit, so you will have less engineering and less replanning, and so on, on those turnback sales. That is where the savings show up in here.

What we did is we went through essentially and redid our program after Congress got through and we followed the mandates that you gave us as near as we could.

Mr. AuCOIN. Well, how about that chart, do you think that would make it clear?

Mr. PETERSON. We would be glad to give you an explanation.

I should point out the representation that was made before this committee that we should use Gramm-Rudman to get here is absolutely false. These numbers are before Gramm-Rudman. They are given to the committee as that, and the witnesses who have indicated otherwise either hadn't read Gramm-Rudman or don't know what they are talking about.

Mr. AuCOIN. What was the road mileage that was contemplated here?

Mr. PETERSON. Are you talking about based on the action after Congress got through?

Mr. AuCOIN. Hard roads after Congress finished its work.

Let's put it this way, give me the dollars and mileage in hard roads that would have been built based on the request in 1986 and the mileage in hard roads based on what Congress finally did with the appropriations in hard roads?

Mr. PETERSON. Yes.

Mr. AuCOIN. What are those mileage figures?

Mr. PETERSON. Well, the 924—we have 924. That is our estimate of hard money miles after Congress got through.

Mr. AuCOIN. Nine twenty-four?

Mr. PETERSON. Yes.

Mr. AuCOIN. Then the request?

Mr. PETERSON. I don't have that.

Mr. AuCOIN. Lamar does.

Mr. BEASLEY. We only have the dollars, we don't have the miles. We will get that for you.

Mr. AuCOIN. Will you provide it?

Mr. PETERSON. Yes, sir.

[The information follows:]

FOREST ROAD PROGRAM

	Fiscal year 1986		
	President's budget	Appropriation	
		Continuing resolution	With DCA
Dollars in thousands	$190,645	$188,205	$180,112
Miles	924	924	924

The road mileage associated with the FY 1986 request was 924 miles. Congressional action reduced the funding and directed a 5% savings in road costs per mile, while maintaining the road mileage at the 924 mile target. Subsequent 4.3% sequestration under the Deficit Control Act was applied uniformly across all Forest Road Program activities. The Forest Service expects to achieve the original projection of 924 miles of construction and reconstruction.

1987 ROAD BUILDING

Mr. AuCoin. What about, what are you planning in mileage of hard roads this year?

Mr. Peterson. About 808.

Mr. AuCoin. Where does the 857 mileage figure come in which the committee has received? We have got two figures here.

Mr. Peterson. I should point out—I think you would recognize this—that when regions are rejuggling their programs to meet the timber sale buyback rules and trying to put together a program that meets customers' needs, and when they go through environmental assessments and so on, they may well go plus or minus, depending on the exact road project and exact sales they make in one year. So if we can estimate within ten percent, we are going to be doing well. We think it will be 808 and 857.

Mr. AuCoin. Down from 924?

Mr. Peterson. Down from 924. Down from 1,858 in 1985.

Mr. AuCoin. Let's look at the 1987 request. I think one good way to look at it in terms of timber demand, is the request for the timber sales program.

LUMBER MARKETS

How would you characterize the current lumber market in the United States, pretty strong?

Mr. Peterson. Yes, I guess somebody has called it, as it applies to the West, as profitless prosperity in that we had record harvests last year in much of the West, but the lumber prices stayed down. One of the major factors of that was the level of Canadian competition. So we had a very strong lumber market recovery, but not normal rebound in prices.

Mr. AuCoin. American producers have not noticed the difference in the demands?

Mr. Peterson. They have in volume. They have sold record volume, but not in terms of profitability because prices have been down.

Mr. AuCoin. In terms of current lumber market demand, we have got strong demand, probably what is as strong as you have seen in five years maybe?

Mr. Peterson. Oh yes, the total demand at the present time is probably stronger than it has been in the last six or seven years.

HOUSING INDUSTRY

Mr. AuCoin. Let me read you a couple of recent comments about the housing industry and give you a chance to comment. I have got a statement here from the Wall Street Journal of April 1, 1986:

"Brisk home building led McGraw-Hill, Inc., to boost its projections for total 1986 construction contributing to a record $289.5 billion, four percent more than estimated only six months ago. The higher estimate would be a 3.6 percent increase from 1985 total contract awards of $227.6 million."

Do the figures sound roughly right to you?

Mr. Peterson. Yes, there are predictions that, with falling interest rates, housing will pick up. We have a housing starts chart which we would be glad to show you which——

Mr. AuCoin. If the numbers are approximating ahead?

Mr. Peterson. It indicates a recovery of housing starts with total housing starts being between 1.8 and 2.0 million this year, with continuing increases in housing starts over time, assuming constant or slightly reduced interest rates.

Mr. AuCoin. The McGraw-Hill forecasting unit expects single family home building to rise another 14 percent to 1.2 million units offsetting the declines in some of the other building sectors. I guess that fairly well squares with the information you are giving us.

Mr. Peterson. Yes, sir. Any time you have economic recovery, you have people buying up—you have people going into single family housing.

Mr. AuCoin. Is it true that residential housing is more lumber intensive than say commercial office buildings?

Mr. Peterson. Yes, it is. That is true.

Mr. AuCoin. Another estimate from that same Wall Street Journal report: "Sales of new single family homes took an unexpected 3.8 percent tumble in February, but many economists expect that lower mortgage rates will revive sales during the next few months."

I guess that is pretty much what you indicated about interest rates?

Mr. Peterson. Yes. I think there will be some problems in the housing market in parts of the country that have been based on oil. There is going to be probably considerable problems in the housing market in the Sun Belt states that have had an oil based economy, and that will dampen somewhat the housing starts for that part of the country.

Mr. AuCoin. But looking nationally?

Mr. Peterson. Overall we think——

Mr. AuCoin. You see a revival?

Mr. Peterson. Yes.

Mr. AuCoin. Continuing with the Wall Street Journal, "In the West, sales of new homes advanced at a brisk 24.8 percent, the fastest pace since September 19, 1979."

What do you make of that one?

Mr. Peterson. I think the West, as you know, came out of the last depression somewhat slower than other parts of the country, so——

Mr. AuCoin. Pent up demand?

Mr. Peterson. Yes, it has been there, and I think you see that the delay in that part of the country coming out of recession results in that kind of a substantial increase.

Mr. AuCoin. That is substantial—24.8?

Mr. Peterson. Yes.

Mr. AuCoin. Does that conform pretty much to the estimates that your shop is developing?

Mr. Peterson. Yes.

Mr. AuCoin. Somewhere in that vein?

Mr. Peterson. Yes. The only problem, you have to be very careful in using these short-term projections. We would not expect 24 percent to prevail. We would expect it to drop back to something less than that, but still increase.

Mr. AuCoin. One would not expect it to prevail?

Mr. Peterson. It can't prevail even for——

Mr. AuCoin. We have a market with the afterburner on now, don't we?

Mr. Peterson. Yes, sir.

Mr. AuCoin. And projections for increases tailing off from that are still substantial?

Mr. Peterson. Yes, sir.

LUMBER SUPPLY AND DEMAND

Mr. AuCoin. Where is most of the lumber provided for? Where does it mostly come from for that western residential single family home market? Western mills?

Mr. Peterson. Yes. It would come from western mills and, of course, some from Canada, but mostly from western mills.

Mr. AuCoin. How about this from Western Woods Products Association, March 14, 1986, a report entitled, "Outlook for U.S. Softwood Lumber Supply and Demand." That is the name of the report:

"For 1985, U.S. softwood lumber consumption totaled 43.65 billion board feet, an increase of 1.5 percent from 1984, when U.S. consumption was 42.99 billion board feet. 1985 is the highest consumption year on record."

Do you agree with that?

Mr. Peterson. Yes.

Mr. AuCoin. Is the WWPA a pretty good source of information on the supply and demand?

Mr. Peterson. Yes.

Mr. AuCoin. In your judgment?

Mr. Peterson. I don't know whether they do that themselves or whether they get it from others. I suspect they get it from a variety of other sources, yes, but I think their numbers are reasonable from what we know.

Mr. AuCoin. That report goes on to say "consumption is expected to further increase by four percent in 1986." Does that sound on target to you?

Mr. Peterson. I think that is about where it comes from, yes.

Mr. AuCoin. Chief, your own budget justification document cites a Commerce Department estimate for housing starts at 1.8 million units for 1985, 1.9 million units for 1986, and two million units for 1987. I take it that you would agree with the estimates made by the Department of Commerce?

Mr. Peterson Yes. They are roughly the same as the ones we have got there.

RATE OF TIMBER HARVEST

Mr. AuCoin. I understand that timber sales in the national forests in my region, Oregon and Washington, are being logged at record rates. Wasn't the harvest level——

Mr. Peterson. That is correct.

Mr. AuCoin. Wasn't the harvest level higher than the sales level in Region 6? Let me repeat that. Wasn't the harvest level higher than the sales level in Region 6 in FY 1985?

Mr. Peterson. I think that is right. It is the highest time in decades, by the way.

Mr. AuCoin. Wasn't it actually by a margin that has no precedence. My understanding is there is no precedence?

Mr. Leonard. That is correct.

Mr. AuCoin. What about the first part of the FY 1986? Region 6 tells me that 1.1 billion board feet was harvested in the first quarter alone, and that is expected to keep up. Is that your understanding of the situation?

Mr. Leonard. Yes, sir. Nationally, what we harvested in the first quarter of FY 1986 was running just under 300 million feet ahead of the similar period in 1985.

Mr. Peterson. I ought not to belabor the point—we estimated this for last year. At appropriations time, Congress didn't believe those numbers and reduced the harvest level to 10 million. That is where your administration funds are based, on its 10 million minus 4.3 percent now. Harvest administration is based on 10 million minus 4.3 percent at the present time, so a region like 6 is not going to make the new sales program if they have to administer a record harvest level.

Mr. AuCoin. Have you asked for more personnel to accomplish that?

Mr. Peterson. No, we have not.

Mr. AuCoin. Why not?

Mr. Peterson. We think, with some very astute management out there, that we can do it, but it is going to be a tough job. That is the reason I suggested that all of us recognize that people have got a large job cut out for them this year to make this program.

Mr. AuCoin. If the committee has been trying to give you the resources you need to complete the program, if there is a deficiency in personnel, it would be nice to know now so we don't have to come back a year from now and find out the pressures on the personnel in the field made it impossible to do the job.

Mr. **PETERSON**. No, we are not asking at this time to make a change. We are just saying it is very tight.

Mr. **AUCOIN**. What is the 1987 request for harvest level administration?

Mr. **PETERSON**. 11.2 billion board feet.

BID PRICE

Mr. **AUCOIN**. A couple of other items I wanted to ask you in the field, Chief. I have data that some recent timber sales in Region 6 are showing some fairly staggering numbers. Bidding prices, according to the information I have, are going up. Let me mention a couple of sales to you. On March 11, 1986, on the Mt. Hood Forest resale timber sales, advertised prices $422.2 per thousand, high bid is just over $1 million. That is two and a half times the advertised price.

March 18, 1986, Winnow resale timber sales, advertised price just under $116,000. High bid, $562,310. That is four times the advertised price.

March 19, 1986, East Face timber sale, advertised price $121,850. High bid, $740,602. That is six times the advertised price.

Does that tell us anything, Chief?

Mr. **LEONARD**. If I could respond on a couple of those. Some of those early sales that you cited there, with the resale portion over the name, were sold in an attempt to establish damages as a result of default of the sales. Those sales were sold under the old sale procedures which were in effect at the time the original sale was made, with low down payments and low bonding requirements. That partially explains the level of bidding, because it meant somebody could acquire that timber for a relatively long sale period without having to put much down to hold it.

Subsequent to that period, we have authorized the region to utilize new sale procedures even on the resales of defaulted sales, recognizing it is going to complicate the problem, but, nevertheless, getting that volume back under contract at prices that are reasonable and possible for people to operate.

There have been a number of sales sold in the last quarter—new sales—in which the bidding has been very high relative to our appraised price.

Mr. **AUCOIN**. Pretty aggressive?

Mr. **LEONARD**. Yes. We have been monitoring that closely, and actual average bid rates are still running pretty much in the $85 to $115 range in all of the market areas in western Oregon and western Washington, which is a reasonable price relative to current product markets.

We hope within a very short time to get out for public comment an additional strengthening of our regulation on periodic payments. We think this will help to keep bid rates at rational levels. We don't want to artificially depress prices but, at the same time, we want the prices to be at levels where people can take that sale and go out and operate in today's market.

REGION 6 TIMBER DEMAND

Mr. AuCoin. In the absence of that sort of thing, though, there has to be a set of reasons for that pattern of behavior. Would you say, looking at the situation in general, that that bidding behavior suggests that there is indeed a bona fide demand for Forest Service timber in Oregon and Washington?

Mr. Leonard. There is a high level of demand for timber in Washington and Oregon, yes.

Mr. AuCoin. You describe it as a high level.

Finally, on this demand issue, I would like to talk about unsold timber sales in Region 6. Some data, Chief, that your staff, along with mine, assembled, indicated that 99.5 percent of the volume in Region 6 is sold?

Mr. Peterson. That is probably right.

Mr. AuCoin. And that it has been at a rate for at least the last ten years. That is a pretty good batting average, isn't it?

Mr. Peterson. Yes. That is probably the best in the Service in terms of percentage.

Mr. AuCoin. Entire Forest Service?

Mr. Peterson. Yes.

Mr. Leonard. Also a reflection of the high level of demand for the product, sir.

Mr. AuCoin. Pardon me?

Mr. Leonard. It is a reflection of the high level of demand for the wood.

TIMBER SUPPLY

Mr. AuCoin. Let's talk about supply. We have high demand, spotty, soft in some parts of the country, but strong nationwide, and incredible, as we have indicated, in some regions of the country. Let's look at the supply side.

Chief, as we have talked about this in the past, we have talked about the condition of forest lands throughout North America and the ability of those—I am talking about the whole of North America—the ability of those lands to produce the raw material needed to meet lumber demand. We have had several interesting conversations through the years. I would like to take a look at the same resources in 1986, starting with our favorite—Canada—and I would like to ask you how things look up there from the perspective of lumber supply, with the background of this demand picture that we have just described. What does the long-term picture look like?

Mr. Peterson. Canada has an extremely high percentage of old growth in its supply. The problem that Canada will face over time is not a physical supply question, but will be increasing costs, as they get away from more accessible stands and into stands that are heavy, less volume, or more costly access and so on.

But in the short run, Canada also has a very large amount of mountain pine beetle-killed timber, particularly in British Columbia. So, Canada will probably look to the United States as a continuing market, particularly as long as overseas markets remain rather soft. As overseas markets come back, as they are now, Canada will probably look at serving some of its export markets and will probably, over time, reduce somewhat the amount that comes to the United States. Certainly at current prices.

Mr. AuCoin. I was recently reading a copy of some correspondence that was written by your former Deputy Chief for Research, Dr. Buckman. It was correspondence between him and David Stahl of the National Forest Products Association. He cited many conclusions in the correspondence. Are you familiar with that exchange?

Mr. Peterson. Yes, I am.

TIMBER FLOWS FROM BRITISH COLUMBIA

Mr. AuCoin. One of the things that he stated was this—I am quoting from his correspondence—"There is yet to be a clear definition of what sustained yield means in practice in British Columbia. It does not mean constant production over time."

And he mentions that the fall down in future harvests in British Columbia as a result of that. My memory is that he predicted in a fairly short time frame a fall down of about a third?

Mr. Peterson. Well, the problem there is——

Mr. AuCoin. I think he was quoting a study done by Les Reid.

Mr. Peterson. He was quoting some analysis done by Les Reid in Canada in which——

Mr. AuCoin. One third fall down was projected?

Mr. Peterson. At some point if you are going to be on sustained yield, if you define sustained yield as rather even flow, then the point is that, as Les Reid indicated, probably there is not enough reforestation going on in Canada to sustain that over time. But other advocates of sustained yield would argue that you could make those investments later.

The question is, how much later you can make it and not have a fall-off downstream. Some say that there has been inadequate investments to date and there will be——

Mr. AuCoin. Dr. Buckman reached that conclusion, did he not?

Mr. Peterson. He did, from looking at work done in Canada. But how quick they could do that, that would depend on the policy the British Columbia Government wishes to adopt. If they want to put additional money in reforestation, for example, they could reverse that.

Mr. AuCoin. But based on current policy?

Mr. Peterson. Based on current policy, if they wanted to follow rather sustained yield, they could not do that with the present level of reforestation.

Mr. AuCoin. Didn't Dr. Buckman also indicate that the pricing of stumpage in British Columbia is such that there cannot be extractions from a level of investment for reforestation needed to sustain the yield over a long period?

Mr. Peterson. Yes. What he was saying, I think, is that when we sell timber in the United States we require deposits for reforestation in timber sale improvement. In other words, better improvement as part of the price of the timber. In some contracts in British Columbia there are long-term contracts that require reforestation, but some do not. Some of it is based on the provinces appropriating money to do that.

Mr. AuCoin. Let me read this statement, also from Dr. Buckman's letter. He says: "Extrapolation from recent experiences with levels of forest management indicates that the fall-down will likely be significant."

Then he goes on to say: "As it stands now, there is uncertainty about the future long-term supply prospects in British Columbia."

Mr. Peterson. That is correct.

Mr. AuCoin. You would agree with that?

Mr. Peterson. That is his conclusion and I know what he was basing it on. I think I would agree with his conclusion.

Mr. AuCoin. Let me mention another source of information on the issue. This comes from within the Forest Service itself. The January 1986 study entitled Economic Impacts of Interregional Competition in the Forest Products Industry During the Seventies. It was authorized by Con Schallau and Wilbur Maki.

Mr. Peterson. I think so.

Mr. AuCoin. On page 28 of that report: "The future of the forest products industry in Canada is not encouraging. Reports reveal that the liquidation of forest resources, pulpwood as well as saw timber inventories, is progressing at a rapid pace. The production of paper products as well as lumber and wood products could be drastically curtailed in the near future."

FUTURE TIMBER SOURCES

I guess that raises a question, Chief, should we continue to bank on British Columbia meeting a larger and larger share of America's lumber supply when the course of that province seems destined to be headed for a downfall perhaps of disastrous proportions?

Mr. Peterson. Well, I don't know that it has reached disastrous proportions. Let's say that the United States has a land base, public and private, that where we could become certainly, if not an exporter of wood, to the point where our exports and imports would balance. We have the land base to do that, but it would also require substantial private and public investments to do that. So in the short run, because of the high physical volume in Canada, we are probably going to see a continued high level of imports.

Mr. AuCoin. That is not the question I am asking. You have just agreed with several fairly significant statements that Dr. Buckman has mentioned in terms of the uncertainty about the future long-term supply prospect in British Columbia, which as you well know, and I know, is a major supplier of Canadian timber. Based on that, looking at the long-term, I think from time to time it helps for the Federal Government to do so, should we continue to bank on British Columbia's supply when we see the trend lines that Dr. Buckman spells out?

Mr. Peterson. Well, I think it does raise some questions as to the extent that we can rely on increasing levels of imports from Canada. Yes, it certainly does.

SOUTH

Mr. AuCoin. What about the prospects in the South, of the southern region of the United States, Chief? I understand that you are concerned about acid rain effects on the forests in that region, and have been for some time. Why don't you tell us about that and what impacts that might have on the supply prospects in the South.

Mr. PETERSON. We are concerned about some decreases in radial growth of certain species of pine in the South, and at this point we are saying they are unexplained radial growth decreases. We are doing a special study of timber supply in the South right now. We expect to complete it within about the next six to nine months and what we are trying to do is to update all of the information we have on timber supply in the South, bring all the new information to bear that we can, look at levels of reforestation, look at levels of timber stand improvement, and so on, and to get a new prediction for the South, and we are troubled by this decrease in radial growth that we have seen and we don't yet know whether to ascribe that to a change in old field conditions, a change in fertilization levels; we don't know what to ascribe that decrease to.

We have Mr. Philpot here, who is handling our atmospheric deposition work, who knows in detail what those studies show, if you would like to have——

Mr. AUCOIN. That may not be necessary at this moment. The study that I referred to earlier, the Schallau study, I noted quoted you on the southern supply situation. That report states in your words—I am quoting now: "Projections for the South, however, may be too high and may be revised when the study entitled 'The South: Forests Alternative for the Future' is complete. Preliminary figures disclose that softwood timber removals for the first time in decades are beginning to rise above net annual growth. In that rapid rise in softwood inventories the base for expansion of the forest industry can no longer be sustained."

That is a quote from you, Chief. Are the preliminary figures standing up so far in the study that you have indicated?

Mr. PETERSON. Yes, they are.

Mr. AUCOIN. They are?

Mr. PETERSON. Yes.

PRIVATE LANDS IN THE PACIFIC NORTHWEST

Mr. AUCOIN. Let's touch then on a third area, that is the supply of timber from private land—not public, but private land—in the Pacific Northwest.

Do you have a broad assessments of the ability of those private commercial forest lands to produce timber over the next few decades?

Mr. PETERSON. Some of the most productive land, of course, in the United States are in the South, and are in the Pacific Northwest, including those private lands. As a generalization——

Mr. AUCOIN. I didn't hear you.

Mr. PETERSON. Some of the most productive lands we have in the United States are the private lands in the South and in the Pacific Northwest. Generally speaking, the private lands in the Pacific Northwest, on a per acre basis, are more productive than our national forests, because they are lower elevations and were selected with a view to timber production.

Mr. AuCoin. I think the recent shakeup we have seen in the forest products industry is as a whole—I am thinking of the hostile acquisition by Crown Zellerbach and the sale of Publishers Paper and the departure of Champion International from the Northwest—do those things bode well for private forest land over the next decade?

Mr. Peterson. I would say we are concerned about———

Mr. AuCoin. You are concerned?

Mr. Peterson. We are concerned about new companies out there. We knew the track record of the old companies, who by and large were doing a good job of reforesting the land. We don't have a track record on these new companies in terms of what they intend to do, and we will have to watch and wait.

Mr. AuCoin. It is a wild card?

Mr. Peterson. It is an unknown, certainly.

FUTURE TIMBER SUPPLIES

Mr. AuCoin. Before yielding to Congressman Bevill, I want to just give you one more citation from the Schallau study. On page 2, it states: "The region's forest products industry would rely heavily on public forest land for raw material until the beginning of the next century when this supply from private land is expected to increase. Therefore, in the immediate future, public forest management policies will have direct bearing on economic vitality of the region's timber dependent communities."

I think that makes your work fairly important, wouldn't you agree?

Mr. Peterson. I think that is right, and what it also does is place somewhat in perspective, the strong pressure in Oregon and Washington for retaining old growth for various purposes, because that is where the volume is. The volume is in the old growth, and initially there was a big fight over how much should be in wilderness. That was supposedly resolved by Congress. There are major groups who feel that those remaining old growth stands have more value left as they are and, as you well know, are making major efforts to reduce the level of harvest from old growth, including concern about the road budget which provides the access to those areas. That is really the root of the argument out there.

Mr. AuCoin. That is a real argument. It is going to be difficult for conservationists who have legitimate concerns, and policy makers of the industry.

Mr. Peterson. That is right.

Mr. AuCoin. Everybody is involved. The point I am making is if we have got, as Dr. Buckman indicates, serious questions about the long-term supply ability of Canada, which is one of the major sources, if we have got, in your words, some serious questions about a second major source—that is the South—private timber land of Northwest, we have serious questions about in terms of their ability to meet demand, then that really says that we maybe ought to be very careful and prudent about what is left, which is the public timber land in the Pacific Northwest.

Mr. Peterson. That is correct. It is going to focus probably an undue amount of attention on those Pacific Northwest lands in the next five years. I think you will see the primary battleground on old growth in the United States will be in the Pacific Northwest.

Mr. **AuCoin**. Why, given all of that, is the budget request so low, since these other sources of softwood lumber have so much doubt hanging over them?

Mr. **Peterson**. They don't have a lot of doubt in the short run. For example——

Mr. **AuCoin**. We are back to the short run.

Mr. **Peterson**. To the year 2000. When you are looking to balance the budget this year, the problems you may have after the year 2000 don't loom as large.

Mr. **AuCoin**. You won't be chief in the year 2000. I won't be in Congress. Others might be around. We don't have to worry about that.

Mr. **Peterson**. I might still be around. I don't know.

Mr. **AuCoin**. Chief, if the second half of the fiscal year volume flow in Region 6 is as depressed as the first half, I am not sure I would make that statement.

Mr. **Peterson**. I might decide it is propitious to retire.

Mr. **AuCoin**. I will yield to my friend from Alabama.

Mr. **Bevill**. Thank you, Mr. Chairman.

EFFECTS OF DEFICIT CONTROL ACT

Chief, glad to see you again. I hope this hasn't been covered. If it has, I will just read it in the record, but if it hasn't been covered, what is going to be the impact of the Gramm-Rudman Act on the Forest Service?

Mr. **Peterson**. Well, the law provided that there would be a cut proportionately, as you recall, by activity, by region. At the forest level, basically we are trying first to see how much of the program we can carry out in spite of the cut, and not just automatically say, well, 4.3 percent of the program has to go. We are trying to prioritize where we make cuts, but it will result in, for example, some reduction in fire crews. It will result in some reduction in the level of administration of timber harvest, will result in some decrease in new sales levels, will result in some reduction in the length of season for camp grounds and picnic areas.

In other words, there will be some effect across the board. It will result in less money going to states under the cooperative programs and so on, less research being conducted, but we are trying our best to make those cuts as carefully as we can, so we avoid major disruption.

Mr. **Bevill**. Then you won't be able to actually let normal attrition handle the personnel reductions?

Mr. **Peterson**. We had a major early-out activity right before this. Because of the timber sale buy-back, we anticipated, because of a lot of other things, we simply couldn't get there with normal attrition, so we had a special service-wide early-out program. Then, with not filling positions for almost a year, the Forest Service reduced over 2,000 positions. So, yes, we can make it probably at the end of this year with a 4.3 percent reduction without any major reduction in force.

We are going to be reassigning people to cover, in some cases, two jobs, and this type of thing.

PROPOSED REDUCTION

Mr. **AuCoin**. What was your total appropriation for 1986?

Mr. **Peterson**. The grand total? I think it was about $2.1 billion; $2.052 billion.

Mr. **Bevill**. Two billion dollars.

Mr. **Peterson**. Right before Gramm-Rudman. With Gramm-Rudman, it is $1.96 billion.

Mr. **Bevill**. $1.96 billion for 1986.

Mr. **Peterson**. Right.

Mr. **Bevill**. How much are you requesting for 1987?

Mr. **Peterson**. $1.735 to the nearest million.

Mr. **Bevill**. So you are asking for something like $200 million less?

Mr. **Peterson**. $230 million less, yes.

Mr. **Bevill**. Then how much would be cut under Gramm-Rudman now for 1987, besides the $230 million?

Mr. **Peterson**. The numbers I gave you were after the 1986 Gramm-Rudman reduction. Below that, if you start before the Gramm-Rudman reduction, it is $316 million; $316.6 million.

Mr. **AuCoin**. $316 million for 1986?

Mr. **Peterson**. The difference between 1986 and 1987, the 1986 appropriation and 1987 request.

Mr. **Bevill**. All right. So there will be some reduction of service. There will be some reduction of sales.

Mr. **Peterson**. Yes.

EFFECT ON REVENUES

Mr. **Bevill**. Can you tell me how much you are going to lose, how much the Forest Service is going to lose in revenue as a result of these cuts?

Mr. **Peterson**. I can't give you that number off the top of my head. Let me say the loss will be downstream. In other words, the loss—there won't be much change in 1987 because most of the sales we make in 1987 actually show up in 1988 and 1989 and 1990. Generally speaking, a dollar reduction, for example, in the timber sale program would result in more than a dollar reduction in receipts over time, even though it wouldn't occur the first year.

Mr. **Bevill**. So actually we are not saving money. We are, in effect, spending more money with these cuts in the long run.

Mr. **Peterson**. In some of the cuts.

Mr. **Bevill**. Overall.

Mr. **Peterson**. In overall cuts, some of that reduction is in payments to states as the change in the 25 percent fund and so on. If those reductions were made, they would be a permanent saving.

Mr. **Bevill**. But actually, the cuts that are made other than those to the states, the payments to the states, you are actually going to the country is going to be losing money out of the so-called savings.

Mr. **Peterson**. To a large extent, yes.

Mr. BEVILL. That will start showing up in the years 1988, 1989 and thereafter.

Mr. PETERSON. Yes.

Mr. BEVILL. Would you have any judgment as to how much we might make the appropriations there in order to prevent that and in order to prevent losing money in the long run?

Mr. PETERSON. I don't have any numbers.

Mr. BEVILL. Would you furnish that for the record, what it would take for you to operate the Forest Service, and actually let's not kid ourselves, just actually operate it and give us a cutoff point where you quit saving money by cutting? Could you do that?

Mr. PETERSON. We can try to do that. I don't think we have got anything like that ready.

Mr. BEVILL. We would like to know that. It would be very helpful.

[The information follows:]

It is difficult to project at what timber sale offer level the government will make money, since the payments to States of 25 percent of timber receipts more than offsets any positive cash flow to the Treasury for most areas of the country. Viewed solely from the standpoint of increasing budget year net revenue to the U.S. Treasury, the regional distribution of the timber sales program is probably more important than the total national timber sales volume.

The Forest Service does not develop a program level based solely on receipts because of the need to weigh other resource management considerations and to maintain economic stability in communities dependent upon Federal timber. The FY 1987 timber sale program request is based on the volume under contract and the need to immediately reduce outlays. This reduced the volume of timber sales that could be offered, and will also reduce future gross revenues to the Treasury. It will probably not reduce the net revenues to the Treasury, and therefore will not affect the amount of State payments under the current State receipt sharing procedures.

Receipts projected for FY 1987 are not a result of the volume of timber sales that will be offered in FY 1987, but of the volume from prior-year timber sales that will be harvested in FY 1987. If the extent of government outlays was not a concern, the volume of timber offered for sale should ideally equal the volume of timber harvested.

SOUTHERN PINE BEETLE

Mr. BEVILL. The southern pine beetle is a big problem down in my State of Alabama. What does the Forest Service intend to do this year to control the beetle?

Mr. PETERSON. Well, we are right now in the middle of completing a brand-new detailed environmental statement, in which we are looking at both short-term strategy and long-term strategy to control the beetle. In the short run, the best solution we know is a high degree of surveillance and monitoring—and very quick action, once a spot is discovered. The best solution is to remove the infested trees and remove them from the area by timber sale, if possible. The next best solution, if you can't do that, is to cut and leave at least temporarily.

You cut the trees and leave them, and therefore, reduce the amount of escaped beetles from those trees. There is some indication, quite a bit of indication that we are getting highly susceptible stands. In other words, the risk is getting very high from the southern pine beetle because of stands that may be too thick, may tend to be stagnated.

So in looking at long-term strategy, we may very well need to do more things of substance, maybe through commercial timber sales.

But we may need to do that earlier on and not let the stands get so stagnated.

This is what we are looking at in detail with our research people and others as we develop this new environmental statement.

Mr. **Bevill**. This is what you would recommend ought to be done for the long-range.

Mr. **Peterson**. Yes. That is what it looks like now.

Mr. **Bevill**. Would that require any immediate additional outlay of cash to do the long-range?

Mr. **Peterson**. I can't really answer that until we see what study shows.

Mr. **Bevill**. Would you look into that and put that in the record.

[The information follows:]

In response to the severity of the current southern pine beetle outbreak, the Regional Forester for the Southern Region and the Director of the Southern Station, in cooperation with the Southeastern station, have appointed a team to recommend long-term strategies for lessening the impact of the southern pine beetle (SPB). The team will present the final report in late May or early June.

A draft report recommends a two-pronged approach for a permanent, long-term solution:

(A) Silvicultural treatment of susceptible timber stands to lower susceptibility. This consists mainly of these practices:

(1) Thinning dense stands by use of commercial timber sales. This can be done immediately. Once the final proposal has been approved, the Region 8 timber program could be adjusted to provide for more thinning in young pine stands, 15-30 years old. Thinning dense stands is currently limited by dollars, timber sale volume targets, and people to do the job. About 30,000 acres more than current levels of thinning could be programmed each year. The annual sales program could be increased by as much as 200 million board feet from these additional thinnings, at a cost of $2.7 million. This would return $6.0 million to the Treasury.

(2) Increased harvesting of mature and overmature stands. Recommended treatments would require changes in Forest plans, and cannot begin until resource management needs and effects on other resources are analyzed.

(3) Lower rotation ages from 70 to 80 years and above, to around 50 to 60 years. Recommended treatments would require changes in Forest plans, and cannot begin until resource management needs and effects on other resources are analyzed.

(4) Shift species composition to less susceptible species where feasible (longleaf & slash pines in place of loblolly and shortleaf pines). Changing species composition on some stands at regeneration time can be done within the present program.

The team is also proposing to set up a demonstration forest on one of the southern National Forests. On it, all recommended stand treatments and SPB suppression measures would be employed to produce a state-of-the-art demonstration of the best practices for coping with the beetle. Since no final plans for this demonstration have been developed, funding needs are uncertain.

(B) Future research priorities are being developed in conjunction with the operational needs listed above and have not been finalized as yet for the long-term strategies report. However, the Southern Station has a current SPB research program at a level of $815,000 in the FY 1987 President's budget. None of this amount is programmed for research on direct chemical control measures but a portion (approximately 15%) will be expended for research on biological control methods. The remainder will be used for research to (1) improve information on the effectiveness of current control recommendations, (2) improve the performance and reliability of population dynamics models that predict the onset, duration and collapse of infestations, and (3) improve performance of preventive techniques such as silvicultural practices to reduce hazard to the SPB. Information obtained from these studies will be beneficial for both direct and indirect control measures.

A FY 1987 funding level of $1,115,000 would provide an additional $300,000 to accelerate research on population dynamics of the SPB so as to better predict the onset, duration and collapse of infestations. The additional funds would also accelerate the evaluation of the efficacy of currently recommended control practices and the impact of the SPB and control practices on timber, wildlife, and other resource values on private and national forests, and wilderness areas. If, upon further analysis, such an accelerated research effort seems necessary, funds will be transferred from other insect and disease research projects or from other research line items.

In FY 1985, the Forest Service expended $5.3 million to help control the SPB outbreak in the South. Approximately $4.0 million will be expended in FY 1986. About $1.5 million will be needed in FY 1987 to continue the SPB control effort on Federal lands where the most severe damage will occur, with State and private landowners expected to meet the funding for their own lands. About $1.5 to $1.7 million will be needed in FY 1988 to continue control efforts on Federal lands.

Funding needs of $1.5 to $1.7 million annually is expected to continue in future outyears until forest stand conditions improve through sound management practices using IPM techniques to reduce stand susceptibility to SPB attacks.

Mr. BEVILL. I think we definitely need to know what the long-range solution is. You have given that. Of course, I can see where the immediate expense would be more where you have to remove those that you cut down. That could get into an expense, but you can't sell them. Maybe you would have to make that on the basis if you can sell them and if you can't sell them, give us what you can on that, your best judgment on it.

Mr. PETERSON. All right.

[COMMITTEE NOTE.—The response has been provided in a previous insert for the record.]

BEETLE SUPPRESSION ON PRIVATE LANDS

Mr. BEVILL. Private landowners in my state do not have the means to control a pest of that magnitude. The state is looking to the Federal Government to help out. How much money is budgeted for suppression of southern pine on private lands?

Mr. PETERSON. In 1986?

Mr. BEVILL. Yes.

Mr. PETERSON. We don't budget by pest initially. What we do is budget by an estimated amount for suppression and detection and so on, and then, as we get more information on what is going to happen and so on, we have to make a judgment. At the present time, we are giving priority to the southern pine beetle versus defoliators which don't kill the trees initially. I think our best estimate of what we will put into co-op lands is about $950,000 in the southern pine beetle in 1986.

Mr. BEVILL. You don't have a figure yet on 1987 then?

Mr. PETERSON. The budget proposal for 1987 does not propose sharing costs of suppression on private land.

Mr. BEVILL. No Federal money?

Mr. PETERSON. No Federal money for sharing of suppression on private land.

Mr. BEVILL. You wouldn't recommend that for the long run, would you?

Mr. PETERSON. This really is a question of who should pay for that kind of work. It needs to be done. It is not a question of whether it needs to be done. It is a question of who should pay for it, whether it should be at the state, local or Federal level.

CONSERVATION RESERVE

Mr. BEVILL. How will the elimination of Government assistance affect the role of the technical assistance in the Forest Service in carrying out the conservation reserves?

Mr. **Peterson**. It is a little early to tell. The first phase of the conservation reserve sign-up just got completed. There is a procedure for taking money from the CCC for paying for technical assistance which will be provided by the Soil Conservation Service and by state foresters. The concern area that we don't have a good answer for is the nursery capacity and availability of enough good stock for different places and so on.

Assistant Secretary Myers has ~~been~~ deeply involved in that. Maybe he would like to comment.

Mr. **Myers**. We are concerned about the nursery stock, but we do think a lot of this will come from private nurseries as well as the state nurseries. Here again it is going to depend on the level of the conservation reserve. The first sign of what is inadequate than what we had hoped for.

We didn't have as high a level of sign-up. We are going out with another sign-up in May. We are getting good response from the Southeastern United States. We hope a lot of that will go into trees. We feel, the first year, that we can get nursery stock from the private and the state nurseries. Then it will depend on what we project the magnitude is, as to whether we can go on and have next year's nursery stock available.

Mr. **Bevill**. Isn't the regular forest management program the mechanism that allows you to run large tree planting programs such as the conservation reserve?

Mr. **Peterson**. In some cases, the conservation reserve will be larger or smaller than the regular program. In most places, it will probably be an additive thing. I think what you are probably alluding to is the co-op program to finance service foresters who are in the field, and who are the people who normally provide the assistance to landowners. We are certainly hopeful that the states will keep those service foresters in the field because they are the people that contact the landowners and say yes, here is where you can get trees, or not get trees, and here is what it might cost, and so on, which does affect what you will get in terms of sign-up.

Mr. **Myers**. There will be some technical assistance to the states to keep technicians in the field to help add to and establish these trees on this conservation land.

Mr. **Bevill**. All right.

One further question, Mr. Chairman.

TIMBER IMPORTS

I don't know what role you play in it. That is really what my question is. We are getting more and more concerned about the Canadian timber pouring into our country. That is the number one industry in our state, our timber. I am getting a lot of questions on it. I am sure the chairman and everyone else is getting the same questions.

Do you have any information or do you have any recommendation as to what we, in the Congress, might do to prevent unfair competition on timber imports?

Mr. **Peterson**. We have technical people working with the International Trade Representative who is charged with working with Canada right now on negotiations that are going on. They have the full resources of all the data that we have. We don't have any recommendation, at this point, of anything you should do. Those discussions are still ongoing.

Mr. **Bevill**. We get all kinds of information here. I assume Commerce Department plays a big role on this, and particularly then, our International Trade Representative, of course, plays a role in it. I am glad the agency is playing some role in it, looking into it because it is creating a lot of concern. We get these stories that the Government practice subsidizes the timber that is shipped from Canada into this country.

Of course, this has a very unfavorable impact on our Nation. We all believe in free trade. That is very basic, but now we have added another word. We want fair trade, too.

Mr. **Peterson**. Yes, sir.

Mr. **Bevill**. I hope with that in mind, and whatever studies you are doing and your work you are doing with the Canadians, we can get the benefit of your thoughts on that because we need to know what we can do as a Congress to try to help resolve this.

Mr. **Peterson**. We hope that the ongoing discussions are fruitful. We have people working with the International Trade Representative and the Department of Commerce right now.

Mr. **Bevill**. All right, Mr. Chairman. Thank you.

Mr. **AuCoin**. Thank you, Mr. Bevill.

Chief, I would like to go through, bring the discussion back to the Northwest. I am sure that surprises you.

Mr. **Bevill**. You think we have been South long enough?

Mr. **AuCoin**. I get a little nervous.

Mr. **Bevill**. You know the South and the West for the first time in the history of this country now have the majority of votes so you are looking at two pretty important fellows here, I want you to know.

Mr. **AuCoin**. I think the South and Northwest are going to rise again. We both support the state and private forestry programs. Have you seen the budget items on that?

TIMBER UNDER CONTRACT

Chief, let me talk about the timber sales issue from a slight different vantage point. The Region 6 office tells me there was about 11.4 billion board feet of net merchantable timber under contract out there as of last October 1st, the beginning of the current fiscal year. That is an accurate figure, isn't it?

Mr. **Peterson**. I think that is about right, eleven-point something.

Mr. **AuCoin**. Let's assume that you get the whole—that your reputation remains intact and you get that whole timber sales program sold by the end of the year. If that happens, my understanding is—and I want to check this with you—that would mean that the program would catch up with the shortfall that we have now where there is more being harvested than being sold and we would end up at about a wash at 4.6 billion board feet by the end of the year.

Is that right?

Mr. **Peterson**. Yes, it would be about a wash. Our projected volume at the end of this year in Region 6 is about 11.6 billion feet.

Mr. **AuCoin**. That is about right. That is net merchantable timber.

Mr. **Peterson**. No. I suspect that is total volume. I don't know. Is that total volume or net merchantable?

Mr. **Leonard**. Total.

Mr. **AuCoin**. Total volume?

Mr. **Leonard**. Yes, sir.

Mr. **Peterson**. Net merchantable was a newly coined term.

Mr. **AuCoin**. But that is what governs the cap.

Mr. **Peterson**. That is right. We are not near the cap at this point.

Mr. **Leonard**. Excuse me. That figure for Region 6 is a net merchantable program that ties to the original.

Mr. **Peterson**. Only for Region 6.

Mr. **Leonard**. Only for Region 6, yes.

Mr. **AuCoin**. 11.6 or 11.4 net merchantable for Region 6. Yours is 11.6 net merchantable timber?

Mr. **Peterson**. You are talking about the projected volume at the end of this year. If we sell all those volume and if the harvest level remains where we think it will be, we are estimating about 11.6 billion board feet. That apparently is net merchantable.

Yes, I see there is a footnote.

Mr. **AuCoin**. This may be the same point you are ready to take up, but let me—if it isn't, feel free to add what you want to state there.

Since the beginning of the fiscal year, though, we have got about a billion board feet that has been defaulted according to my figures and I would like you to confirm whether or not these figures are accurate. That is made up of about 420 million board feet defaulted through the brazier bankruptcies and about 520 million defaulted by the North side litigants who didn't file the multi-year, multisale extension plans.

Does that square with your information?

Mr. **Leonard**. I can't match up with those exact numbers, but they are in the right ballpark.

Mr. **AuCoin**. Sounds approximately right?

Mr. **Leonard**. Yes.

Mr. **AuCoin**. That would bring the total volume under contract down to, if that is correct, 10.4 billion board feet today and by being in the ballpark that 10.4 billion figure would be approximately correct; is that right?

Mr. **Leonard**. That is correct.

DEFAULTS

Mr. **AuCoin**. Now, Chief, I think you and your staff would agree with me that not all of that 10.4 billion board foot volume is going to be harvested. I think we all know—George, I think you know—we are going to see more defaults on high-priced contracts that were signed before January 1, 1982.

Mr. **Leonard**. Yes, sir.

Mr. **AuCoin**. These are the contracts of course that are now in the multi-sale extension program. George just agreed with me these are going to be defaulted sooner or later. Max, wouldn't you agree there is going to be more volume?

Mr. **Peterson**. Yes. I should point out all the companies that have entered the multi-sale extension programs have done so taking advantage of buy-back and so on, with the assurance they are going to operate. There will almost certainly be some that won't be operating and will default.

Mr. **AuCoin**. I am told, as of October 1, 1985, about 4.7 billion board feet of volume were under contracts signed prior to January 1, 1982. If you subtract the billion board foot number that has already been defaulted, there is nearly four billion board feet of very, very expensive timber still out there under contract.

How much does the Forest Service expect of that volume to be defaulted? Can you tell the committee?

Mr. **Peterson**. We have not tried to make an estimate. George may have an estimate.

Mr. **AuCoin**. Rough estimate?

Mr. **Leonard**. Recognizing there isn't a great deal of science that can be applied to this, I think that the bulk of that is held by companies who have the capability to mix that volume with current sales. Assuming a continuation of these market levels, the bulk of that timber could be operated.

Mr. **AuCoin**. When you say mix it with current sales, be able to mix it with lower price current sales?

Mr. **Leonard**. Yes, so their average cost of production for the year is brought down to an acceptable level.

Mr. **AuCoin**. Helping it to absorb that higher cost?

Mr. **Leonard**. Right.

Mr. **AuCoin**. By the way, on that point, the larger the timber sales program, the easier it would be to enter into the higher price contracts, right?

Mr. **Leonard**. It really depends on the market, because the volume of timber they can actually harvest is what it is, and the proportion of the new sales to the old. The level of the timber sales program will have an impact on bid prices, and therefore, the ability to meld that timber in.

Mr. **AuCoin**. Do you think most of it is held by companies that can do that?

Mr. **Leonard**. They have that capability? Right. There is, however, some substantial amount that is still held by companies where the total volume doesn't allow enough melding—just total volume relative to their total production doesn't give them the capability of that melding and also some held by very small companies that also don't have that capability. I think it is rather certain that we have got another half billion board feet that will probably be defaulted.

Mr. **AuCoin**. I am hearing that about half of the volume of that four billion board foot volume is inoperable, or about two billion board feet. Does that surprise you?

Mr. **Leonard**. There is about two billion board feet that certainly is inoperable at today's prices, but——

Mr. **AuCoin**. If you keep contracting the timber sales program, maybe those bid prices will go up.

Mr. LEONARD. That is not going to help them because it is the lumber price that is going to help bail them out. Again there is not much science to this, but somewhere around a half billion board feet from my own examination of the numbers suggest that those companies simply can't meld enough to get the price down within range.

Mr. AUCOIN. So at least a half billion board feet.

Mr. LEONARD. At least half a billion.

Mr. AUCOIN. Does two billion sound out of the ballpark, Mr. Leonard?

Mr. LEONARD. Two billion is not an impossible number.

Mr. PETERSON. We would certainly doubt that number, though, because there are some penalties in not operating that timber. In other words, they have got to pay the difference in price between the resale value and the contract price. So companies are going to be very careful in thinking about defaulting if they have the opportunity to mix it with lower-priced timber.

Mr. AUCOIN. Is a billion closer to the mark then?

Mr. PETERSON. If you would tell me what the housing market is going to do three years downstream. If these high housing markets continue and prices rebound, one billion is probably high.

MARKET RECOVERY

Mr. LEONARD. One of the different things in this is we have never had an eight- or nine-year period of consistently good markets. That is what it would take to bring all that volume on line.

Mr. AUCOIN. All four billion?

Mr. LEONARD. I think that half a billion or so I mentioned is going to go out no matter what happens.

Mr. AUCOIN. You need an eight-year period to get the two billion?

Mr. LEONARD. You really start counting from late 1983, when the market began to pull out, on out through 1991, when we will have completed most of the timber in the multi-sale extension plan.

Mr. AUCOIN. If we have about an eight-year recovery, housing recovery, we could expect to avoid that default of the two billion board foot volume?

Mr. LEONARD. It would seem likely the companies would be able to move enough wood to then meld that high-priced timber in with more moderately priced timber and keep their cost of production down. But we have never had an eight-year period like that.

Mr. AUCOIN. The trouble is history doesn't give us much to go on.

Mr. PETERSON. The year that will probably be the most critical year will be 1989 and 1990 because companies have scheduled their lower price of these multi-sale extension plans in the early years, hoping that, by putting their highest price out there, if there is any inflation or any market recovery and so on, it will be there and also some cash flow.

Mr. AUCOIN. Do they have any choice in that?

Mr. PETERSON. Not if they are very smart. To the extent they can push those out further—yes, they could have put them upfront, but if they are smart business people, which we hope and presume they are, they would put those higher price sales out a ways, so if they got any inflation it would help them and also many companies simply needed an infusion of cash in order to get them through these tough years.

So they would rationally schedule their worst sales out there in 1988 or 1989 and 1990.

Mr. **Leonard**. Mr. Chairman, if you remember the chart we had here that showed the housing starts and the problem projections rising on up in those odd years that is the kind of housing market that is essential to make the thing come to work.

Mr. **AuCoin**. Are you confident in OMB's projections?

Mr. **Leonard**. We have never had an eight-year period before without at least some downturn.

Mr. **Myers**. Those companies must have been a little confident in the market in the eight years even though historically, it hasn't been that way.

Mr. **AuCoin**. Do you think they have been bidding on the basis of fear there wouldn't be the supply?

Mr. **Myers**. No. I think they were bidding on the fact prices would continue to go up just like the farmers did.

Mr. **AuCoin**. What about today? Do you think today some of the budgets that have been submitted based on what that volume is going to be for timber sales would be decreased, we may see some higher bidding on the basis of uncertainty?

Mr. **Myers**. I wouldn't think so. I would think they think there are some supplies—there is a lot of volume uncut that still can be sold.

TIMBER UNDER CONTRACT

Mr. **AuCoin**. I checked with the forest in my district, the Siuslaw, and found it has only about 420 million board feet under contract. That is a little over a year's worth of timber. I don't know if you have operated a mill, Mr. Myers, but if you do operate a mill on the Siuslaw and have less than a year's worth of timber under contract and you own no timber of your own, you are going to be a little nervous, I would guess, and particularly if there aren't many sales open to bid on, you are probably going to bid just out of survival at any level you can get in order to get volume under contract.

Mr. **Myers**. It may well be. As a businessman, I would have to look at what it would cost to keep my mill going and what I could bid, or if I could go a distance and bid on another forest at the same time.

Mr. **AuCoin**. Wouldn't you agree that a small volume under contract does tend to push the bidding up?

Mr. **Myers**. It depends on the demand and the price for the product.

Mr. **AuCoin**. Demand is still going up. Let's take the current situation. We have a rising demand, contracted supply, 420 million board feet under contract on the Siuslaw and some of these operators have no timber of their own so aren't you apt to ratchet up your bid in order to get it?

Mr. Myers. You have the opportunity to go to other forests and bid. Again, I am not an expert at running the mills as you point out, but they are businessmen, and they are going to have to determine what they can and cannot do.

Mr. AuCoin. Chief, let me ask you about that. Does 420 million board feet under contract sound on the low side?

Mr. Peterson. It is certainly on the low side. It is certainly lower than desirable, yes.

Mr. AuCoin. Significantly lower than desirable?

Mr. Peterson. Yes, we would—in order to have time to build roads, and in order to be able to operate in a reasonable way, we would like to have between two and three years' timber under contract. Now, as you well know——

Mr. AuCoin. What would this amount be?

Mr. Peterson. You would probably have——

Mr. AuCoin. It would be less than two years' supply?

Mr. Peterson. Yes. You would preferably like to, on the Siuslaw have around 600 million board feet under contract. Since we have the former supervisor of Siuslaw willing to give you an answer, we ought to defer to him.

Mr. AuCoin. Dale, what do you think about that? Does that volume, under contract, sound dangerously low to you?

Mr. Robertson. Yes, it is low. A good reason for that is in the Mapleton District. We have had a lawsuit there, and it has been shut down for about a year. And 25 percent of the total cut on the Siuslaw is from the Mapleton District. That is one reason that it is so low.

Mr. AuCoin. My question is, a low volume under contract can be a dangerous thing regardless of what put you in that position.

Mr. Robertson. Yes.

Mr. AuCoin. Do you recall it being that low in the years you were there?

Mr. Robertson. No, we usually ran around three years under contract, which would be close to a billion board feet.

Mr. AuCoin. What happens when there is a low volume; when you have a low volume under contract, what does that do to the bidding, in your experience?

Mr. Robertson. Well, it increases the competition for the available timber, and the competition on the Siuslaw is some of the most competition we have anywhere on the National Forest System.

Mr. AuCoin. What is the price effect of that?

Mr. Robertson. It would increase the timber sale price.

Mr. AuCoin. Run stumpage prices up?

Mr. Robertson. Yes.

Mr. AuCoin. Do you think that volume is low enough that there is significant risk of a stumpage price runup in the Siuslaw based on your experience?

Mr. Robertson. My experience is about eight years ago, but——

Mr. AuCoin. That gives you a good point of reference.

Mr. Robertson. Yes, I would. Four-hundred million board feet under contract is very low on the Siuslaw in relation to the installed mill capacity. I would think that that is getting to the point that is bound to be affecting prices, bid prices.

Mr. AuCoin. Significantly.

Mr. Robertson. Again, based on my experience, eight years ago, I would say yes.

Mr. AuCoin. You see, Chief, it seems to me that what all that points to is we are getting back into the kind of a cycle, we were in a few years ago. That is inoperably high bid prices, and at the same time not a result of inflation, but instead a result of timber supply availability. I don't think any of us wants to see that situation ever return again, having gone through that experience, and in the process of legislating, what we hope to be a remedy. I know I, for one, don't want to be in that position again. I know you don't either.

Mr. Peterson. That is correct. As you well know, the problem of the Siuslaw is an acute one because it is not simply to increase the budget level or increase the level of timber supply, but we still have a Mapleton court action in place. To get back in business on the Siuslaw we have to complete the forest plan, and we don't yet have an approved regional guide because of disagreement on the amount of old growth necessary to protect. So, it is not very easy to remedy that situation.

Mr. AuCoin. I know it is not. You can see my point, can't you?

Mr. Peterson. Yes.

Mr. AuCoin. It is the danger of going back right into the cycle, maybe for different reasons, maybe not inflation this time, but different reasons.

Mr. Peterson. You are absolutely right.

1987 TIMBER SALES BUDGET

Mr. AuCoin. Now, my question now, then, is how does the proposed 1987 timber sales budget, the budget submission, fit into this picture? It seems to me that you are going to, if we agree to this, sell much less in Region 6 than will be harvested. The budget calls for sale of 3.6 billion board feet, while harvest is anticipated at 4.4 to 4.5 billion board feet. If that is right, I think it is, that means that the volume under contract is going to keep getting lower and lower, and that problem we are describing right now is going to get worse and worse.

Mr. Peterson. Well, I think what you see——

Mr. AuCoin. Shouldn't the volume under contract be going up and up rather than down and down?

Mr. Peterson. I think probably the volume under contract ought to remain about stable.

Mr. AuCoin. It should not come down.

Mr. Peterson. It is where we would like to see it in order to provide reasonable flexibility.

Mr. AuCoin. It is going to come down?

Mr. Peterson. It will come down this one year, and there will be a slight reduction in the amount of timber under contract.

I don't know of very many places, in looking at a budget——

Mr. AuCoin. What is your outyear projection on timber sales? You make outyear projections. Are you projecting a big rebound on the timber sales program in the next fiscal year beyond this one?

Mr. Peterson. In 1988?

Mr. AuCoin. Yes.

Mr. Peterson. We have not yet formulated our 1988 budget.

Mr. AuCoin. What about OMB, what are their projections?

Mr. Peterson. I don't know if they are——

Mr. Leonard. The programs that we are doing, we are preparing the outyear, doing the outyear work for a ten billion board foot sale program in the outyear.

Mr. AuCoin. So my point is made. That means timber volume under contract is going to continue to fall?

Mr. Peterson. If harvest rates hold up in the outyears and if we don't increase it——

Mr. AuCoin. Unless this committee comes in and bails you out.

Mr. Peterson. Mr. Chairman, the problem we are dealing with in our budget is that, as you know, there is no great effort in trying to meet outlay targets.

Mr. AuCoin. I know that.

Mr. Peterson. Everyone would like to meet them, but nobody wants to make a reduction anywhere.

Mr. AuCoin. I know that, and I can imagine, only imagine, the pressure that is placed on you for the short-term savings. In the long-term, larger prices can be paid.

A timber sales program managed properly has to be in balance. This should be a timber. I am not suggesting for a moment that it should—but a properly balanced timber sales program, a program of this kind pays for itself.

Mr. Peterson. That is correct.

Mr. AuCoin. When you get into the short-term outlay game, I know you are going to have to deal with, you end up depressing receipts in the future. But the timber sales program pays for itself and justifies an increase in outlays in 1987, because those outlays are more than offset by future year receipts.

Do you disagree with that?

Mr. Peterson. Future receipts would be up, yes, but 1987 receipts would not be changed.

Mr. AuCoin. We talk about bidding practices in Region 6, the fact they are showing signs of going up. Chief, can you safely say that the timber sales program in the Pacific Northwest is turning a profit for the taxpayers?

Mr. Peterson. Yes, it is.

Mr. AuCoin. In the Pacific Northwest?

Mr. Peterson. Yes, sir.

Mr. AuCoin. I am told the receipts outpace costs by three to one ratio in Region 6. Does that sound about right to you?

Mr. Leonard. Yes.

Mr. Peterson. That is probably true.

Mr. AuCoin. Isn't the Forest Service putting in new rules for up-front payment of contracts, periodically performance payments as well?

Mr. Peterson. Yes, we have some rules in place to increase the up-front payment, and we are looking further at periodic payment changes.

Mr. AuCoin. Can you explain the system to the committee?

Mr. Peterson. I think Mr. Leonard can.

Mr. **Leonard**. In terms of up-front payments, the basic rule around the country is that the purchaser is required to put down ten percent of his bid deposit of the bid value on the sale due within 30 days of award of contract.

Mr. **AuCoin**. What is the purpose?

Mr. **Leonard**. Purpose of that first is to provide an incentive for many to go ahead and operate the sale rather than just hold the volume, hoping for a market to develop for it.

Mr. **AuCoin**. In other words, it is anti-speculative.

Mr. **Leonard**. Yes, it also gives the Federal Government immediate return——

Mr. **AuCoin**. Does that too?

Mr. **Leonard** [continuing]. On its investment. In the highly competitive areas, primarily in the West, primarily in Oregon, Washington, northern California, where we have in recent years had bidding that goes substantially above our appraised value, we have increased the amount of up-front money, so it is ten percent of the priced value plus 20 percent of the overbid. On the average, this means that we get about a 15 percent down payment, which effectively says, in the west side of Oregon and Washington, that we will get the same preparation cost back in the year we make the sale.

CONTRACT DURATION

Mr. **AuCoin**. That is the point I was getting at, that is particularly true with the shorter contracts too.

Mr. **Leonard**. That is correct.

Mr. **AuCoin**. There is a definite trend toward shorter-term contracts.

Mr. **Leonard**. Yes, we reduced average sale length in western Oregon from about 48 months down to about 30 months.

Mr. **AuCoin**. Why hasn't anyone in the Department of Agriculture understood this?

Mr. **Myers**. Well, as I found out in the last 12 months, it takes hard work to understand it, and we are beginning to understand it.

Mr. **AuCoin**. It doesn't show up in——

Mr. **Myers**. I think we do repledge that, as the Chief said, we are driven by outlays, we understand that timber produces revenue, we have to look at it from a this-year basis.

Mr. **AuCoin**. Those are contradictory statements if you are driven by outyear, you understand that produces revenues in the outyears, and some of these steps you were taking were actually making a profit to the Government; and on a single year basis, it doesn't seem to me that this fixation by being driven by outlays is compatible with any sort of understanding.

Mr. **Myers**. We also understand the Gramm-Rudman law too, Mr. Chairman, that we have to reduce the outlays to a point that we can begin to move the deficit, as required by the law.

Mr. **AuCoin**. Gramm-Rudman, or something like this, is going to be with us for a long time.

Mr. **Myers**. Yes.

Mr. **AuCoin**. That is a good point, Gramm-Rudman calls for deficit reduction targets, not outlay, cuts, goals, so that it enables attention to be paid to receipts, it focuses on deficit reductions, not outlay reductions.

Mr. MYERS. That is correct, but it has targets year by year by year that we have to meet. Granted, we can generate receipts by increasing the timber sales this year, or we could three or four years down the road. That is not what target shows us we have to do.

Mr. AUCOIN. But, George Leonard just indicated what some of the changes, suggests that we are covering costs in the third year.

Mr. MYERS. They will recover some cost in the first year.

Mr. LEONARD. I might interject that those changes that we have made on the timber sales process are fairly recent and were actually implemented after this 1987 budget was developed by the department.

Mr. AUCOIN. Next year's budget will look a lot better, right?

Mr. MYERS. I won't guarantee anything, Mr. Chairman.

Mr. AUCOIN. The subcommittee will stand adjourned until 10:00 o'clock tomorrow morning.

TUESDAY, APRIL 8, 1986.

Mr. YATES. Mr. Reporter, show the hearing as coming to order. Are there any other regions of the country other than Region 6?

Mr. PETERSON. I can think of eight other good regions.

Mr. YATES. Any other regions make any money for the Government?

Mr. PETERSON. Sure.

Mr. YATES. Which are the ones that do?

Mr. PETERSON. Region 8, the Southern Region, makes money.

Mr. YATES. Let's see, I have forgotten, how many regions, eight regions?

Mr. PETERSON. Nine.

Mr. YATES. How many of the nine regions make money?

Mr. PETERSON. They all make money. Not all of them cover all the costs.

Mr. YATES. What is your definition of making money?

Mr. PETERSON. Serving people is one way we make money.

Mr. YATES. How do you make money by serving people?

Mr. PETERSON. We think benefits should be included.

Mr. YATES. Recreation. This is the old argument about costs.

Mr. PETERSON. For example, as you probably recall, Mr. Chairman, the place where we spend the most money and get the least return is places like southern California. They have a very high recreation rate, very important watershed areas, very important wildlife areas. We sell very little timber. Those areas, almost everything is outgo. Those are the areas——

Mr. YATES. How much cutting do you do in that region?

Mr. PETERSON. In southern California, virtually none. It is mostly to take out trees that are insect infested, diseased or would die in a few years for retention of beauty of the forest. There isn't much timber there to begin with. It is concentrated in high country.

Mr. YATES. Waiting for forest fires.

Mr. PETERSON. We have lots of forest fires.

Mr. YATES. I remember I was there when there was a forest fire. What is the name of that wind?

Mr. PETERSON. Santa Ana, which means devil wind. It comes off the desert. The most disastrous fires start in the brush covered country.

Mr. YATES. Around San Diego.

Mr. PETERSON. It can involve all of the southern California forests, the Pasadena, Los Padres, San Bernardino. Anyway, we spend the most money on those forests near the metropolitan areas.

Mr. YATES. Can you tell us why you let the old trees on the Willamette National Forest be cut?

Mr. PETERSON. That is only about 50 some acres out of 1,500 to 2,000 acres that grow.

Mr. YATES. Even if it is 50 acres, why should it be cut?

Mr. PETERSON. I guess the dilemma you have on areas like Willamette is the forest is composed of areas that have already been cut over, areas that are virgin areas and areas that are second growth and areas in the wilderness. We are examining that growth at the present time to determine how old those trees are. There are some other groves that are at least equally as old.

Mr. YATES. Well, you had a Forest Service Task Force, which I guess you appointed, didn't you?

Mr. PETERSON. It was appointed by the Forest Service, yes, sir.

Mr. YATES. They are pretty good appointees, aren't they?

Mr. PETERSON. Yes.

Mr. YATES. They call it a unique treasure.

Mr. PETERSON. They are talking about the entire grove.

Mr. YATES. Why cut it if it is a unique treasure? Why cut any part of it?

Mr. PETERSON. As I indicated, this is a stalemate. This is just a portion of a larger portion in this particular grove.

Mr. YATES. It couldn't have been cancelled somewhere along the line?

Mr. PETERSON. We couldn't cancel unilaterally once it was made.

Mr. YATES. How long ago was the sale approved?

Mr. PETERSON. I would guess three to four years ago.

Mr. SIRMON. 1982.

Mr. PETERSON. We did meet with the company——

Mr. YATES. Who approved it in the first case? Was this before your time?

Mr. PETERSON. The forest supervisor.

Mr. YATES. Tell me what happens. When you have a grove that is described as a unique treasure, why do you not declare it out of bounds so that a supervisor can't make a sale of it?

Mr. PETERSON. This is exactly the kind of things being looked at in the forest planning process.

Mr. YATES. This has never been done before? Have you ever before designated an area as being off limits?

Mr. PETERSON. Yes.

Mr. YATES. Why can't you do it here?

Mr. PETERSON. I can't answer that question, I don't know. We have research natural areas. There aren't many other groves in that forest that are old. The uniqueness about this one, I think, is that it is at low elevation, and it is quite accessible. There is a nearby grove that was purchased by the state which also has very old trees in it.

Mr. YATES. What do you do if it has old trees, are they the first to go because they are the oldest?

Mr. PETERSON. No, certainly not. And we very well may do something different there now. We are looking at that specific grove as part of—we are trying to determine how old the trees are. We don't know they are the oldest trees around.

Mr. YATES. Suppose they are the next oldest? Why only the oldest trees? Why don't you also preserve those middle-aged?

Mr. PETERSON. We do some. We have a very large wilderness area.

Mr. YATES. You are now preparing an EIS to determine how much old growth should be preserved in the Pacific Northwest?

Mr. PETERSON. No, we are doing an environmental statement. And we are looking at how much old growth habitat should be protected for old growth-related wildlife species, including the spotted owl.

Mr. YATES. Why in the world, while you were conducting this kind of survey, are you also permitting old growth to be cut?

Mr. PETERSON. Simply because if you are going to harvest timber in the Pacific Northwest, you are going to be cutting old growth.

Mr. YATES. What is the sense of designating old areas as old growth so you can preserve them while at the same time you are permitting them to be cut? It doesn't make sense, does it?

Mr. PETERSON. You can't stop the world while you are planning.

Mr. YATES. Is there not enough non-old growth to fulfill your needs?

Mr. PETERSON. There are not, no. There is simply not enough non-old growth to fulfill our needs.

Mr. YATES. What is the sense of designating an area as a unique treasure then?

Mr. PETERSON. We very likely in this analysis of the spotted owl, we will no doubt agree to preserving some additional old growth. There is no question about that.

Mr. YATES. Why will you do that if you don't have enough trees to cut?

Mr. PETERSON. We will try to balance our commitment to the continued viability of the spotted owl and other old growth-related wildlife while also meeting some future timber harvest levels in the Pacific Northwest.

Mr. YATES. Well, but suppose after you have cut the trees down, the old growth trees down—assuming that you have to include them in the cut—you come to the conclusion later on, "Gee, we shouldn't have cut these trees," why are you including them now for cutting? I just don't understand that.

Mr. PETERSON. We are trying to be very careful. We have identified, for example, all of the spotted owl pairs that we can identify in the Pacific Northwest, and we preserve an area around those spotted owls. We did that some years ago. There is no indication, for example, this area has spotted owls related to it. There is no—the concern about this sale when it was first made, the issue of the aged trees was not raised. That has been a very recent concern, after the sale was made.

Mr. YATES. That is true, that is why you have your spotted owl survey going on, isn't it? You have your spotted owl survey going on now.

Mr. PETERSON. Yes.

Mr. YATES. How many spotted owl surveys or comparable surveys have you made over the last few years? Have you never made a survey before to see whether or not you had trees that should have been excluded from the cut?

Mr. PETERSON. Yes. We have made, over the last decade, repeated surveys to locate the spotted owls. And there is a spotted owl management area nearby, but not in this particular area that was in the harvest. We are protecting an area around the spotted owl area now, as we do in all areas where we think there are spotted owls.

Mr. YATES. How can you do that when you have a contract to cut?

Mr. PETERSON. We do a careful inventory of the area to make sure there is not a spotted owl nesting area, or it is not a spotted owl nesting area before we let it for sale. Had this been a spotted owl occupied area, we could have cancelled the sale on environmental grounds.

Mr. YATES. Well, you know, I find the testimony confusing. I asked you before as to why you were cutting the old trees, and you said you have to cut them as part of a sales contract. And I said, "Why can't you exclude them?" You said, "Well, we can't exclude them because we need the trees in order to make up the harvest." If you need the trees to make up the harvest, how then can you have a spotted owl exclusion?

Mr. PETERSON. You cannot increase the acres devoted to management to protect the spotted owl without an effect on the allowable sale quantity in the region. But we have been protecting some areas for at least a decade, and we are doing an EIS now to determine what level of protection that we should provide in order to insure the viability of the spotted owl. We will protect old growth as necessary to do that. What I am saying is, we can't protect all of the old growth.

WILLAMETTE TIMBER SALE

Mr. YATES. With respect to Willamette, you were trying to find an alternative place for the industries to cut, weren't you?

Mr. PETERSON. We were trying to look at a chance to modify that sale.

Mr. YATES. You didn't want these trees cut, did you?

Mr. PETERSON. We would have preferred not to have them cut.

Mr. YATES. All right. Why didn't you allow the public—the environmentalists who wanted to protect the forests—to be in a position to protect them if you couldn't protect them? For example, at what point did you know that Willamette Industries intended to cut the area? What was the date, do you remember that?

Mr. PETERSON. I think it was about four years ago.

Mr. YATES. They filed a work plan on the harvest on March 18, didn't they?

Mr. PETERSON. What year?

Mr. YATES. This year. Does anybody on your staff know that?

Mr. PETERSON. No, I wouldn't know.

Mr. YATES. You mean somebody in this big, big collection of Forest Service people doesn't know that?

Mr. PETERSON. We have about 20,000 timber sales. There are operating plans filed on every one of them.

Mr. YATES. Even though there is a question of spotted owls involved. Do you have someone in charge of spotted owl?

Mr. PETERSON. There was no question of spotted owl involved in this sale.

Mr. YATES. Why did you want to reserve them?

Mr. PETERSON. The question was raised that these might be some very old trees, and we wanted to retain options while we examined that question.

Mr. YATES. So there was a possibility it might be a spotted owl growth, then, right?

Mr. PETERSON. No.

Mr. YATES. Never? Why did you want to protect them? Do you protect trees that are not going to be designated as spotted owl or some other—

Mr. PETERSON. In some cases, sure.

Mr. YATES. Usually you designate them with some name like spotted owl—

Mr. PETERSON. No, we have botanical areas and research natural areas and all kinds of special areas that we designate forests.

Mr. YATES. This was not any of those, was it?

Mr. PETERSON. No, it was not.

Mr. YATES. The only possibility you had was this could be a spotted owl area?

Mr. PETERSON. It could be designated as something else.

Mr. YATES. For various reasons, you didn't want the trees cut?

Mr. PETERSON. In hind sight, after the sale had been made, the supervisor looked at it and said he preferred that particular part of the sale not be harvested. About 54 acres, I believe.

Mr. YATES. Fifty-four acres shouldn't have been cut. He couldn't persuade the area to go to another 54 acres that was nearby?

Mr. PETERSON. That is correct.

Mr. YATES. Do you usually announce when the cut will be made?

Mr. PETERSON. The operating plans are public information. We announce the sale.

Mr. YATES. The information we have is that a work plan on the harvest was filed on March 18th, this year.

Mr. PETERSON. That could be.

Mr. YATES. And then on Friday, March 27th, you issued a closure notice for the area.

Mr. PETERSON. Yes. That was because of threats of vandalism and other things in the area.

Mr. YATES. All right. Then on March 27th, the indication was given that logging would begin on March 31st. Then the citizen members of your Three Creeks Task Force were not notified.

Mr. PETERSON. I don't know about it.

Mr. YATES. He knows about it.

Mr. PETERSON. I am told by Mr. Leonard that Mr. Kerrick says he notified the people involved immediately after he got notice.

Mr. YATES. When did he get the notice?

Mr. LEONARD. Mr. Chairman, I don't have the date, but the forest supervisor reported as soon as he was notified by the company they would not negotiate further on possibility of the contract modification and were going to proceed with felling the timber in those two units, that he immediately notified the environmental representatives he had been working with on this issue.

VOICE. That is not true. We were not notified until Sunday.

Mr. YATES. I don't know where our staff got this information. The information we have is that you were notified, that notification was given on Sunday night, March 30th. Would you say that was right?

Mr. LEONARD. That is not my understanding.

Mr. YATES. We will find out, and let's hold the record open for that information.

Mr. PETERSON. We will do that, Mr. Chairman.

Mr. YATES. What is the kind of vandalism you expected which led to you closing the area?

Mr. PETERSON. As you know, there has been all kinds of vandalism in the area, including driving spiked nails in trees. There has been some sabotage of equipment.

Mr. YATES. Why are they driving spiked nails in the trees?

Mr. PETERSON. Simply to try to convince people not to cut the trees. That is a very dangerous thing to do, by the way, because people can be injured if they try to cut the trees and also be injured in the mill. So we have courts to handle disputes.

Mr. YATES. That wasn't the Three Creeks Task Force you were worried about?

Mr. PETERSON. No. The closure was before that. That was based on some earlier threats.

Mr. YATES. Why would they have threatened that, because there was talk of cutting being made?

Mr. PETERSON. Yes, I think the general knowledge—there has been general knowledge this sale has been made for some time. This is not some recent flash that this had been done. There was public information at the time it was made, and before. This is not something that was done in the dark of the night. The sale was made four years ago, it was announced, and this sale has been public information all this time. There was no sudden emergency created in the middle of the night.

Mr. YATES. I would like to know why your staff didn't notify the Three Creeks Task Force before the night before the cutting was to begin, if it wasn't intended to deprive them of information.

Mr. PETERSON. We will get you that information, Mr. Chairman. I don't have the information here.

[The information follows:]

The following chronology identifies the events leading to the actual harvest of the units in question.

March 11, 1986—The environmental groups met with Forest Service representative to submit their report on alternatives to harvesting within the grove.

March 18, 1986—Sweethome District Ranger Leonard Lucero was presented an operating plan for harvesting during 1986 by John Davis of Willamette Industries (WI). During this meeting, Ranger Lucero asked Davis if the company would consider alternate units for harvest rather than the ones in dispute. He stated WI may be interested if suitable replacement volume could be located. Later that day, work began to locate possible alternate units.

March 22-23, 1986—Ranger Lucero contacted three of the four environmental groups to discuss the possible alternate units. These three groups agreed to the proposed changes. Lucero explained his difficulty in contacting each of the groups, so a central contact individual was designated who would maintain contact with the other groups.

March 25, 1986—WI was presented the proposal for their consideration.

March 27, 1986—Davis of WI met in the morning with Forest Service personnel and stated that there was probably room to improve the revised units, however, WI would defer operations in the area until the fall of 1986. Later that afternoon, Davis called back to state that he had probably overstepped his bounds, as the WI management was not interested in modifying the sale. Operations were to begin as scheduled in the March 18 operating plan.

Forest Supervisor Kerrick notified Deputy Regional Forester Butruille in the evening, to advise him of the actions contemplated by WI.

March 28, 1986—Forest Service personnel met on the sale area to review the possibility of requiring a modification for environmental considerations. The review did not identify any basis for such a modification.

The Forest Service explored the possibility of breaching the contract by prohibiting any operations as proposed. A monetary loss to the purchaser would result in the

Forest Service paying damages of approximately $400,000, and was not deemed appropriate. It was decided that Ranger Lucero should contact WI in an attempt to renegotiate the changes one more time.

March 30, 1986—Lucero met with WI personnel and could not sway their position. He then attempted to contact the environmental groups to notify them of the actions which were to take place the next day. The main contact was not available, and he was not able to contact each individual group that night.

SPOTTED OWLS

Mr. YATES. How many spotted owls are there in Region 6?

Mr. PETERSON. I believe that we are trying to protect 550 some in that region over that period of time. Between the two regions, Region 6 and Region 5, there is around 1,500 pairs. That is our best estimate for two—nesting pairs. We think there are about 1,500. That is our best estimate. We are looking at——

Mr. YATES. How many acres are involved?

Mr. PETERSON. That is what the EIS we are working on now is looking at. We have been protecting 1,000 acres of old growth per pair. One thousand acres per pair. That is more than——

Mr. YATES. You are talking about an EIS looking to the possibility of protecting those trees from being cut.

Mr. PETERSON. We have protected at least 1,000 acres while we are working on the EIS. We are not cutting those areas while we are working on the EIS.

Mr. YATES. How many acres are under consideration for protection?

Mr. PETERSON. We are looking all the way from zero protection to, I think, something like 4,000 acres.

Mr. YATES. Four thousand acres is the maximum amount for protection.

Mr. PETERSON. Mr. Leonard reminds me one alternative provides for no harvest. It goes all the way from no protection to keeping all the old growth that is there.

Mr. YATES. How much is there?

Mr. PETERSON. I think it is about four million acres.

Mr. YATES. That is a lot more than the figure you thought.

Mr. PETERSON. Four million acres is the total amount of old growth.

Mr. YATES. What he told you and what you told the committee under consideration is any amount between zero and four million acres. Did I understand what you said correctly?

Mr. PETERSON. That is correct.

Mr. YATES. Do you have a guess as to how many acres within the four million you will arrive at? Do you have any idea at all? There are four million acres of old growth.

Mr. PETERSON. That is correct. On national forest land. The Spotted Owl Task Force is looking at not only national forest land but national parks, land administered by the Bureau of Land Management, and the state parks, because the birds don't know where the boundaries are. We have to look at the whole habitat.

Mr. YATES. Could you explain, for the record, how you came to designate this as a spotted owl survey? Why did you use the name "Spotted Owl Survey"?

Mr. PETERSON. The spotted owl is a particular bird that we use as an indicator of quality overall for all wildlife. It is like using a——

Mr. **Yates**. Does the spotted owl live only there?

Mr. **Peterson**. We think so. They live primarily in old growth.

Mr. **Yates**. The spotted owls have four million acres to fly around in?

Mr. **Peterson**. Currently.

Mr. **Yates**. What do you mean by currently?

Mr. **Peterson**. That is how much there is right now.

Mr. **Yates**. But if your practices continue, you are going to cut some of the four million acres?

Mr. **Peterson**. We are going to cut some.

Mr. **Yates**. How much of the four million acres?

Mr. **Peterson**. We don't know.

Mr. **Yates**. Are you cutting any of it at the present time?

Mr. **Peterson**. Yes, but we are protecting at least 1,000 acres around each spotted owl pair. At the present time, you can say there are more than a half a million acres because there are some very large wilderness areas that have spotted owls in them, too. We are not planning to do anything in those areas.

Mr. **Yates**. I would think not. What is the answer to your practices, to declare all your areas wilderness areas?

Mr. **Peterson**. Certainly not. I think that—all our experience to date indicates one of the things the spotted owl probably needs is some variety in habitat, because they forage in other areas other than the ones they nest in. They may nest in old growth, but forage in other areas.

Mr. **Yates**. Are the four million acres in Regions 5 and 6?

Mr. **Peterson**. Yes.

Mr. **Yates**. What is the total acreage of forest land in Regions 5 and 6?

Mr. **Peterson**. About 44 to 45 million acres in national forest land.

Mr. **Yates**. So this spotted owl or protection of old growth affects only about 10 percent of all the timber in the Forest Service in Regions 5 and 6?

Mr. **Peterson**. No, you can't assume that, because a lot of that 45 million acres I am talking about is brush covered land, alpine land, areas that are lakes and so on.

OLD GROWTH

Mr. **Yates**. I thought the four million acres you talked about was for old growth?

Mr. **Peterson**. That is right, but the 44 million acres are all kinds of land, including land that doesn't even have trees on it. It includes alpine areas, brush covered land, ski areas, lakes, and so on. So in terms of percentage of old growth, I would guess it is more like 20 percent of the old growth.

Mr. **Yates**. How much old growth are you cutting this year?

Mr. **Peterson**. I can't give you a number.

Mr. **Yates**. Does anybody know that? How much of the old growth?

Mr. **Leonard**. Approximately one percent.

Mr. **Yates**. One percent of what?

Mr. **Leonard**. Of the existing stands of old growth.

Mr. YATES. What would that be in terms of acres?

Mr. LEONARD. About 40,000 acres.

Mr. YATES. Forty thousand acres in Region 5 and 6 will be cut. Why are you cutting old growth at all? Can you finish your EIS?

Mr. PETERSON. Well, Mr. Chairman, as I mentioned early on, unless you are going to have a great economic dislocation in that part of the country, you simply can't stop the world while you are planning. What we do is plan the area around each spotted owl nesting pair to retain options while we are doing the plan. We don't want to cut the area around the spotted owl, we want to be sure the spotted owl is there when we get through planning.

SPOTTED OWL SURVEY

Mr. YATES. How long has this survey been going on?

Mr. PETERSON. We started about a decade ago. We did the current EIS beginning, for the region, beginning about—the regional guide started about six years ago. We had an appeal on the regional guide. We started about a year ago re-doing the guide, looking at, more specifically, the spotted owl. We will probably finish that EIS within the next six to eight months.

Mr. YATES. For all the old growth areas?

Mr. PETERSON. Yes. For the spotted owl—related to the spotted owl.

I think, maybe, to allay your immediate concern, if we continue what we are doing now——

Mr. YATES. Doing what you are doing now in Willamette?

Mr. PETERSON. Throughout both regions, including the protection we are providing. We would certainly have spotted owls for the next 500 years.

Mr. AUCOIN. What was that answer?

Mr. PETERSON. We would have spotted owls for the next 500 years.

Mr. AUCOIN. If you continue doing what you are doing now?

Mr. YATES. What does that mean?

Mr. PETERSON. Providing the kind of level of protection we are providing now.

Mr. YATES. That includes ten trees now 500 years from now?

Mr. PETERSON. At least 1,000 acres per pair. That is the best scientific information that we have now is that if you provide—let me back up. There are some spotted owls living in as little as 300 acres. So there is a quality of habitat in addition to size. As the size gets somewhat larger, you have a higher proportion occupied.

There is some data that indicates, with about 2,200 acres you get 80 percent of the areas successfully occupied. We don't know how adaptable that bird is, and so one of the things that we have had ongoing now for about five years is very detailed research. One of our strategies now, looking at the EIS, is how can we retain options for the next five years, how can we retain options during this time? It would mean retaining old growth in sufficient amounts so that we can be sure that, whatever we need to do downstream, we are not precluded from doing. In other words, if we need more acreage than 1,000 acres, say we need 2,200 acres, can we adopt a strategy that allows us to protect up to 2,200 acres?

Mr. YATES. How long does it take to cut 54 acres? Is it cut already?

Mr. PETERSON. As I understand, the falling of the trees has been completed, yes. It depends how many people we have doing the falling.

Mr. AUCOIN. What would happen to the harvest level if all old growth was taken out and a moratorium placed on harvesting? What would that do to the base?

Mr. PETERSON. The best guess is they would probably cut the harvest in Region 6 in half. So this is not an inconsequential question.

Mr. YATES. Why is that, Chief? Why do you have to cut old growth?

Mr. PETERSON. Because, when you look at any forest, the amount of trees you can cut depends on the amount you can sustain to perpetuity, and that relates to the land base. A lot of the land base in that region is in old growth. If you leave that old growth and you have no yield from that land base, then——

FOREST LAND AREA

Mr. YATES. I don't understand that. Let's go back to the statistics you gave us a few minutes ago. What is the total amount of land, Forest Service land, available in Regions 5 and 6?

Mr. PETERSON. It is about 45 million acres, I believe.

Mr. YATES. Forty-five million acres. And how much of that is in old growth?

Mr. PETERSON. I think the four million acres applies only to Region 6.

Mr. AUCOIN. Mr. Chairman, isn't the question how much is part of the harvestable base, I think that is a better way to get at what the chairman is driving at.

Mr. PETERSON. Those old growth stands have very high volume per acre of high quality timber. So, if you are going to harvest between now and the year 2000, for example, because the areas behind you have not grown——

Mr. YATES. Let me rephrase my question. How many acres of Forest Service land are there in Region 6?

Mr. PETERSON. Twenty-four million acres.

Mr. YATES. Twenty-four million acres. So you have another 20 million in Region 5?

Mr. PETERSON. Yes.

Mr. YATES. Okay. And how much Forest Service land is subject to a harvest that will be cut in Region 6?

Mr. PETERSON. We have all those numbers available. I think it is about 14 million acres. Only slightly more than half of it. So four million out of 14 is the more likely figure you are looking at.

Mr. YATES. Well, now is some of the old growth you are specifying in wilderness areas?

Mr. PETERSON. No.

Mr. YATES. Outside wilderness areas?

Mr. PETERSON. Yes.

Mr. AUCOIN. How many acres are in wilderness areas?

Mr. SIRMON. About five million.

Mr. YATES. In one or both?

Mr. Sirmon. Both.

Mr. Peterson. Five million in Region 6, and plus there are other areas that can be looked at. So you see about 20 percent of the land base in that region is in designated wilderness where there is no timber harvest, no commodity use at all.

Mr. Yates. Twenty percent of what?

Mr. Peterson. The total land base in that region. In fact, for the Service as a whole, about 17 percent of the land base of the National Forest System is in wilderness, Idaho, Nevada, Montana, the wilderness bills have not passed, so you are looking at between 20 and 25 percent of the Forest System will be in wilderness by the time the Congress finishes its action. There is going to be a large land base out there.

Mr. Yates. Does that mean you have to speed up cutting old growth in view of that happening?

Mr. Peterson. It means that you transfer—as you reduce the land area, you have to either manage these land bases more intensively, which means converting the old growth to trees that grow faster, or you have to drop the sale quality. There is no free lunch.

Mr. Yates. Do you have the study that shows all the statistics that we are talking about now?

Mr. Peterson. Yes. In fact, what we probably should do is extract them from the regional guide.

Mr. Yates. Will you do that for the record?

Mr. Peterson. We will be glad to do that. And we will also provide you very shortly with a draft of the environmental impact statement on the spotted owl specifically.

[The information follows:]

National Forest Land Base

	Acres (million)
Region 5: [1]	
Total National Forest lands	20.5
Total area of wilderness	3.9
Total area of noncommercial forest land base	8.7
Total area of commercial forest land base	7.9
Region 6:	
Total National Forest lands	24.6
Total area of wilderness	4.6
Total area of noncommercial forest land base	4.2
Total area of commercial forest land base	15.8
Total area of old growth (250 + years)	3.9
Total area of old growth in wilderness	.5
Total area of old growth in commercial forest land base	3.3
Total area of old growth in other designated areas	.1
Total land base	45.1

[1] Old growth acres not currently available for region 5.

SPOTTED OWL

Mr. Yates. That is eight months away.

Mr. Peterson. No, the draft will be out within the next few weeks.

Mr. Yates. Does this little bird know of the tremendous responsibility that rests on his shoulders?

Mr. **Peterson**. He doesn't seem to be too impressed with all of this. In fact, they are rather hard to find.

Mr. **Yates**. To think the future of the timber industry rests on that little bird, right?

Mr. **Peterson**. There is more than a few people concerned about that, Mr. Chairman.

Mr. **Yates**. How many spotted owls are there in the country? Enough to keep going for a while?

Mr. **Peterson**. Yes. We think there is, as I said, about 1,500 pairs.

[Statement off the record.]

Mr. **Yates**. Let's go back on the record.

We have Mr. AuCoin who comes from cutting country.

Mr. **AuCoin**. What? Mr. Chairman, we doubled the wilderness system in Oregon in the last Congress.

Mr. **Yates**. I remember when we had the fight in the Congress, I think it was 1954, over the question as to whether or not regulation of rates at the well head should be abandoned, and I remember arguing with the Texans, who wanted the rates deregulated at that time, and I remember saying it all depends on whether you were born in the shadow of the gas field or the gas stove, and I think that is probably true here as well, what your attitude is. Those of us who like to go to the woods and the other areas and see the marvelous trees that stand for centuries, we would like to see them saved.

Of course, we are very much aware that people's lives and fortunes depend upon the timber industry as well. I hope that there would be some kind of a discrete, rational method of balancing both if that were possible. I am not sure the Forest Service is doing it. Maybe it is too much to allow.

I remember a story that was told by Mrs. Bowles when—the wife of Chester Bowles, the former ambassador to India—and when she was in residence in Delhi, she called an Indian technician to fix something. He didn't do it and delayed and delayed. She said, "My man, please apply common sense." He said, "Madam, common sense is a gift of the gods, I am only a technician." And I suppose sometimes the head of the Forest Service feels that way, doesn't he?

WILDERNESS

Mr. **Peterson**. Yes, sir. We are certainly in the middle on this. If I might, let me point out again that the Forest Service originated the wilderness, the idea of wilderness, which is to leave some areas as they were, as our creator made them. We have the largest wilderness system by far in the lower 48. There will be lots of areas where your grandchildren and my grandchildren and great grandchildren can walk around in.

Mr. **AuCoin**. Does Canada have a wilderness system?

Mr. **Peterson**. They have a park system. They have some wilderness parks. But they don't have a separate wilderness.

SPOTTED OWLS

Mr. **AuCoin**. Do they have any spare pairs?

Mr. **Peterson**. I don't know. There probably are a few spotted owl in the southern part of British Columbia.

Mr. **Aucoin**. They will probably start exporting to us their spotted owls next.

Mr. **Yates**. That would be good, wouldn't it?

Mr. **Aucoin**. It all depends on your point of reference.

Mr. **Yates**. Is there a fallback bird to the spotted owl? Suppose something were to happen to the spotted owl. What happens then?

Mr. **Peterson**. There are quite a few other birds, yes. One of the enemies of the spotted owl is another owl. So part of the problem retaining the spotted owl is the problem of——

Mr. **Yates**. What is the name of the predator?

Mr. **Peterson**. It is the barred owl.

Mr. **Aucoin**. How many acres do we have to set aside for its habitat?

Mr. **Peterson**. We are letting it compete with the spotted owl at the present time.

Mr. **Yates**. Is that a bigger bird?

Mr. **Peterson**. Yes, it is a bigger bird.

Mr. **Yates**. This is a predator to the spotted owl?

Mr. **Peterson**. It is a predator for the territory.

FOREST RESEARCH

Mr. **Yates**. All right. Let's go into the question of forest research.

Mr. **Peterson**. We have a new Deputy Chief for Research. Dr. Buckman went off into the sunset.

Mr. **Yates**. I got a letter from Dr. Buckman. He wrote me a letter. We miss him.

Mr. **Aucoin**. And he is from Oregon State University.

Mr. **Yates**. That is a testimonial for Oregon State.

Mr. **Peterson**. You have seen him before.

Mr. **Yates**. I have seen him a lot of times. I don't know whether one can use the term "successor" with Dr. Buckman.

There are seven research work units and four laboratories you propose to close, right?

Mr. **Ohman**. Yes, sir.

Mr. **Yates**. Why do you want to close them? Is this Gramm-Rudman?

Mr. **Ohman**. Mostly to meet the kind of restrictions on funding.

Mr. **Yates**. Say that again?

Mr. **Ohman**. To meet the kind of restrictions on total funding we are looking at. We have carefully analyzed these locations and are trying to maintain a well-balanced research program.

Mr. **Yates**. Can you maintain a reasonably balanced research program with your cutbacks in funding?

Mr. **Ohman**. Yes. Yes, we can.

Mr. **Yates**. Does that mean it was unreasonably balanced several years ago, because you had more money for research?

Mr. **Ohman**. No. It is just within a total, depending on how low that total goes, you can maintain some reasonable balance.

Mr. **Yates**. What you are saying is if you had the higher total, you would have a much more reasonable program of research?

Mr. **Peterson**. Yes.

Mr. Yates. Then what are you cutting out because of lack of funds that should be done?

Mr. Peterson. We are cutting back in several areas, and also we are eliminating those research locations that are mentioned here.

Mr. Yates. What are you eliminating when you eliminate those units?

Mr. Ohman. Well, at Fairbanks, Alaska, for example, we are eliminating our fire research——

Mr. Yates. You are eliminating fire research? Isn't that important?

Mr. Ohman. Yes, it is, but it is——

Mr. Yates. Isn't fire an ultimate question rather than something that you dispose of because you are cut back? Why do you eliminate fire research as opposed to other kinds of research? I would have thought that the question of how to deal with fires was one of the Forest Service's most important activities.

Mr. Ohman. It is, Mr. Chairman. But when you are faced with these kinds of budget crunches, we decided at this particular location, we could reduce the amount of fire research at Fairbanks.

Mr. Yates. Where will you be doing fire research if not in Fairbanks?

Mr. Ohman. Several other locations in the United States.

Mr. Yates. Is what you are telling the committee that your fire research program will not be hurt as a result of closing Fairbanks, Alaska?

Mr. Ohman. Yes. It will be reduced.

Mr. Yates. I didn't say that. My question was whether it will be hurt, not reduced. I know it will be reduced. The question is whether it will be hurt.

Mr. Ohman. Yes, to some extent.

Mr. Yates. How will it be hurt?

Mr. Ohman. A reduction in the level of research and the amount of knowledge.

Mr. Yates. What will you not be able to carry on? What I am trying to do is find out from you is whether the committee ought to put the money back that you have cut out. I know Gramm-Rudman hangs over us like the sword of Damocles, but what I am trying to find out is whether we can take what you tell us to the Congress and say, "Look, in spite of Gramm-Rudman, this is the kind of activity that ought to be carried on. We think possibly there might be a waiver that should be made in this case in the interest of common sense and sane husbandry as far as the Forest Service is concerned for the people of the United States." That is what I am trying to pull out of you if I can. What are you going to lose?

FIRE RESEARCH

If Fairbanks closes, what will be missing? What will happen?

Mr. Ohman. We will lose our capability, as we presently have——

Mr. Yates. I want you to be specific.

Mr. Ohman. To do research in several different aspects applying to the interior of Alaska.

Mr. YATES. Such as what? When you say different types of research applying to interior Alaska, I don't know what you are talking about. That is a general term. Give us an example of the kind of research that will be cut out that is likely to result in fire sweeping across interior Alaska.

Mr. OHMAN. Most of the research on fire that is being done in Fairbanks was done on fire effects, the effects of fire on that particular ecosystem, and those particular ecosystems.

Mr. YATES. That could be eliminated?

Mr. OHMAN. I beg your pardon?

Mr. YATES. That could be eliminated without hurting anything?

Mr. OHMAN. That is one of our lower priorities.

Mr. YATES. Give us examples of higher priorities.

Mr. OHMAN. Our fire laboratory in Riverside, California, which is——

Mr. YATES. Where a fire takes place almost every day?

Mr. OHMAN. Yes, sir, in southern California. It is more basic research, and applies to other places.

Mr. YATES. Perhaps we ought to describe for the record, what the nature of your research is. When you talk about fire research, do you have a top research entity nearby where the fires take place to do the research?

Mr. OHMAN. Not necessarily. Sometimes that is very helpful to have. You can't do the research unless you can be on that particular piece of ground under those kinds of conditions, but some of the more basic fire research can be done almost anywhere.

Mr. YATES. Maybe what I am trying to get from you is, what is involved in $14 million, probably more, $14 million is what was cut out of your fire research program, is that correct, out of the total research program?

Mr. OHMAN. That is correct.

Mr. YATES. Fire lost half a million dollars, approximately, is that correct?

Mr. OHMAN. Yes.

Mr. YATES. Fire lost $.5 million, and those are represented by the seven research units and research laboratories, right? No?

Mr. OHMAN. Not all those reductions in fire would be in that category. In some cases, there are other smaller——

Mr. YATES. Suppose it were not for the budget, would you close these? Would you close the units that I have just named, the seven and the four?

Mr. OHMAN. No, sir. We might make some very slight shifts, but we would not close those units.

FOREST INSECTS AND DISEASE RESEARCH

Mr. YATES. You have lost $900,000 in forest insect and disease research.

Mr. OHMAN. Yes.

Mr. YATES. That is a bad cut, isn't it, for those who have gypsy moth and pine park beetles and other insect predators of that kind, that is a bad cut?

Mr. OHMAN. It is quite a steep cut. Yes, sir.

Mr. YATES. Mr. AuCoin, do you have any gypsy moths in Oregon?

Mr. AUCOIN. Yes, sir.

Mr. YATES. You are not quite in favor of this cut, are you?

Mr. AUCOIN. No, not quite.

FOREST RESEARCH BUDGET

Mr. YATES. The awful thought occurs to me that you picked to cut the areas that might attract congressional attention so they would put the money back in. Is there any possibility of that happening?

Mr. MYERS. No.

Mr. PETERSON. Maybe I should talk a minute about the whole research budget problem.

Mr. YATES. All right, maybe you should.

Mr. PETERSON. As we look at research over time, the research budget has gone down about 25 percent over time for the forest research budget. One of the things that costs a lot of money is to maintain facilities, is to maintain research. Where you get to the point you have only a few scientists left, and many facilities, two things happen: One, you don't have a critical mass to do important research work, a sufficient number of people, and also the fixed costs just eat you up. So in order to keep a viable research program, it is important to be able to close some facilities.

Sewanee, Tennessee, that is down here, for example, is an area that we have had scheduled for closure for several years. There is research going on there that certainly is desirable. But you simply can't continue to support all these research labs without using up a disproportionate amount of the research budget. It is important we have fewer locations, better staff, if we are going to make progress in research.

You simply can't make progress in research by trying to keep all your locations open, even though you can't staff them adequately. That is the basic problem.

Mr. YATES. I would try, you have to weigh that against forest and insect disease research.

Mr. PETERSON. Sure. When you look at the research budget, there is no easy place to reduce. We have increased the amount of research we have been putting into atmospheric deposition now every year now for five or six years. So there are lots of needs out there.

Dr. Buckman, before he left, and the research staff directors and all the research directors in the field came in and prioritized all these and came up with these reductions as the best place to make them. So it is not this research is not desirable. It is a fact you have to use some priorities when you are dealing with the kind of situation we are dealing with.

Mr. YATES. This is a pre- or post-Gramm-Rudman budget that you submitted to OMB?

Mr. PETERSON. Pre-Gramm-Rudman.

Mr. YATES. Were you asked to revise it after Gramm-Rudman?

Mr. PETERSON. No. I think, as you recall, OMB, the President made a decision to submit a total Government budget that complied with the deficit reduction targets. So the budget that you see before you was framed with the Gramm-Rudman deficit reduction targets.

Mr. YATES. What I am trying to find out is, this is submitted as part of that budget?

Mr. PETERSON. Yes, that is correct.

Mr. YATES. In forest research, you asked for $123 million.

Mr. PETERSON. Yes, but that was before the Gramm-Rudman bill passed.

Mr. YATES. So that is the difference between $123 million and $111 million. One-hundred-eleven million dollars represents Gramm-Rudman in full operation for 1987?

Mr. PETERSON. That represents, yes, compliance with Gramm-Rudman.

Mr. YATES. You are liable to have to take more cuts if you had a higher deficit, right?

Mr. PETERSON. If the Congress doesn't balance income and outgrowth and triggers Gramm-Rudman, yes. I hope that doesn't happen.

Mr. YATES. I can understand that.

FOREST SERVICE BUDGET REDUCTIONS

Let me ask the budget officer, how much money is represented in the 1986 budget that is not represented in the 1987 budget? How much did you lose? In other words, over 1986?

Mr. PETERSON. In research?

Mr. YATES. No, the whole budget.

Mr. PETERSON. The total Forest Service budget was around $1.5 billion in the 1986 budget. The President's budget for 1987 is $1.3 billion.

Mr. YATES. You are losing about $200 million?

Mr. PETERSON. That is correct.

Mr. YATES. All right. We will hit the other parts of that later. Let's talk about——

Mr. AUCOIN. Are you still on research?

Mr. YATES. Forest research.

FOREST RESEARCH

Mr. AUCOIN. I have some questions.

Mr. YATES. On forest research?

Mr. AUCOIN. I have some questions.

ATMOSPHERIC DEPOSITION

Mr. YATES. Tell us about acid rain. I had the impression that the meeting between Prime Minister Mulroney and President Reagan had resulted in a beefed-up attack on acid rain, and I find that your budget for acid rain is reduced by almost $3 million, which is a retreat rather than advance, isn't it?

Mr. OHMAN. Yes. It is less than we spent last year. The great bulk of that, of course, was taken out of the so-called vegetation survey, which is one we figured we could defer for a time.

Mr. YATES. How important is the survey?

Mr. OHMAN. It is quite important, but we think we can defer it for a time. We really need to gather more information on what kinds of things we ought to be measuring and examining during the survey.

Mr. YATES. You need a pre-survey survey.

Mr. OHMAN. Some research to do that, yes. We will continue some of that.

Mr. YATES. What about the research you need in order to do the survey? In other words, the pre-survey survey? Are you slowing down on that?

Mr. OHMAN. We are maintaining about $154,000 in this budget in that planning research.

Mr. YATES. How much did you have available in that line of research last year?

Mr. OHMAN. A little over $2 million.

Mr. YATES. So you are cutting back on that, too. You are cutting back on your pre-survey survey.

Mr. OHMAN. Yes, but we will maintain some capability at that $154,000 limit.

Mr. YATES. Not as much as you would have at $2 million though.

Mr. OHMAN. No, sir.

Mr. YATES. What is the nature of the activity you are engaged in for that particular part of the budget?

Mr. OHMAN. I wonder if I could call on Dr. Philpot, who is our air pollution expert.

Mr. PETERSON. Sure.

Mr. YATES. Is the Forest Service advancing on the problem or retreating?

Mr. PHILPOT. We are advancing on the problem.

Mr. YATES. You are advancing with lower budgets?

Mr. PHILPOT. The research budget has not been reduced in this budget.

Mr. YATES. I thought he said it had.

Mr. PHILPOT. The national vegetation survey budget has been reduced to put it on hold until we find there is the effect of acid deposition on U.S. forests.

Mr. YATES. I understood him to say your budget was being cut by almost $500,000.

Mr. PHILPOT. The survey budget is being cut by $2 million, and I think there was a semantics problem about whether that was a research cut or not. We don't consider the national vegetation survey a research program, and we have protected the research program in this budget. I think that is where we have a misunderstanding. We think we can delay the survey.

Mr. YATES. Tell me what is being done so I understand what is being done. I find it confusing because I am trying to find out what the Forest Service budget is for attacking acid rain, and I am referring to the vegetation survey. The National Vegetation Survey is being put on hold while you do a pre-survey, laying a foundation for the National Vegetation Survey.

The pre-survey was cut by $2 million to $150,000 approximately, correct?

Mr. PHILPOT. A $2 million cut.

Mr. YATES. So that is bad, isn't it? But you say that doesn't affect you?

NATIONAL VEGETATION SURVEY

Mr. PHILPOT. Let's talk about what the survey is. I think that would help. The National Vegetation Survey was designed to do three things. First, to develop methodologies for surveying forests that might be affected by air pollution. That is something we know very little about. The second thing was to design surveys to go out and find out if there were problems in U.S. forests we cannot identify the causes for.

For example, to clearly find out how many spruce trees are dying in New England that we don't know the causes for. It could be related to acid deposition or something else.

The third, most important part was the long-term aspects of the survey, which was to identify areas of U.S. forests where atmospheric deposition was causing the kind of symptoms. The research methodology was supported by the first two years of appropriations, and that job is essentially complete as far as we can go today, because we have not identified any effects of acid deposition on U.S. forests.

The second part of the survey, the short-term identifying parts of the U.S. forest that may have problems, is a subject also funded by that $4 million over two years. We know where visual symptoms are occurring. We think we have a good handle on that now. So the decision point was, do we continue to ask for additional funding for a long-term survey, or do we wait until the research program is finished and go out and do the survey?

We felt we could stop the large investment, the $2 million investment, for a couple years until we had research results, and then we could come back and talk about additional funding or redirection or whatever it took to do the survey at some later date, like 1988, 1989, that time frame.

ATMOSPHERIC DEPOSITION RESEARCH

Now the research program on U.S. forests is a program managed and funded by the U.S. Forest Service, EPA and the private sector.

That program is not reduced in any way in this budget and it is an approximately $17 million a year program. About $6 million of that is in U.S. Forest Service funding, the rest from EPA and the private sector. And that program is essentially broken down into five major areas. There are four research cooperatives looking at spruce fir forests, that is one cooperative, the commercial forests in the South and Southeast—primarily pine species—the western conifers and the eastern hardwoods.

All those programs are in place. Research is going on, with the exception of the eastern hardwoods. Initial funding for that will be released in about six weeks.

There is also a deposition monitoring program that provides the air pollution data bases for U.S. forests across the total program. Those five cooperatives are on board, adequately funded and protected in this budget.

Mr. YATES. Adequately funded to do what?

Mr. PHILPOT. To be completed within some kind of reasonable time frame. The time frame we told the committee last year would be appropriate. It is approximately a ten-year research program. In fact, we couldn't identify any way to speed this up at this point.

Mr. YATES. A ten-year program, and that is a preliminary program to the National Vegetation—

Mr. PHILPOT. That is right and that is another reason we think it is prudent to hold that survey up.

Mr. YATES. Does Prime Minister Mulroney know this is your program?

Mr. PHILPOT. Yes, sir. He is very aware of our program. Most Canadians are.

Mr. YATES. I had the impression he was kind of happy when he came out of the conference. I would think he would be unhappy with the time frame of this.

Mr. PHILPOT. The Canadian time frame—theirs and ours—is parallel. Now there are political answers and those kinds of answers you could debate, but as far as solid evidence of U.S. forests being affected by acid rain, neither the U.S. nor Canadians have a decision that is a problem.

Mr. YATES. Could that time frame be shortened?

Mr. PHILPOT. No, sir. We have looked at that, and have been asked that.

Mr. YATES. Even with additional funding——

Mr. PHILPOT. Additional funding will not speed up the answers.

Mr. YATES. It is a question of the atmosphere on the trees and lakes?

Mr. PHILPOT. It is a long-term problem. It is a complicated problem. We had problems with the amount—number of scientists in this area. There are all kinds of barriers to getting involved that don't include money.

Mr. YATES. Do you have the scientists?

Mr. PHILPOT. Yes, sir. We have adequate scientists.

Mr. YATES. Do you have your teams in shape?

Mr. PHILPOT. Yes, sir. This program is completely competitive, and we have private sector scientists, university scientists, some Forest Service scientists.

Mr. AUCOIN. Do they all agree no additional funds would——

Mr. PHILPOT. That would be the position of the people involved in managing this program. There might be scientists who would want more money. I would be surprised if you couldn't find those people. From our position, I think it would be EPA's position and the private sector's position this is an adequately funded research program.

Mr. YATES. What about the question of funding for EPA?

Mr. PHILPOT. I can't address that.

Mr. YATES. You are supposed to receive funds from EPA?

Mr. PHILPOT. We received funds in 1985 and 1986.

Mr. YATES. Were they the amount you need?

Mr. PHILPOT. Yes, sir.

Mr. YATES. It is kind of surprising EPA is so generous, isn't it?

Mr. PHILPOT. They consider us a very serious problem. This has passed up the aquatic question.

Mr. YATES. You are the key man then?

Mr. PHILPOT. I am the point man in the Forest Service.

Mr. YATES. The Forest Service is the point agency.

Mr. PHILPOT. We feel we should address leadership in this area.

Mr. YATES. EPA is relying on you for that portion of the research?

Mr. PHILPOT. The research management and some of our inhouse researchers. As I said before it is an open, competitive program. We are managing most of it for EPA, yes.

Mr. YATES. Well, all right. Then we should live so long, right, until we know the answers on acid rain?

Mr. PHILPOT. We are going to do everything we can to try to get answers before that time period.

Mr. YATES. Why does everybody think that apparently you don't think so—why is it generally thought that we do know the answers, that the answers come from the smoke stacks of some of the industries?

Mr. PHILPOT. I don't think there is a question about where acid rain comes from anymore, I think that is a well-documented scientific fact.

Mr. YATES. What are you looking for?

Mr. PHILPOT. The question is when it gets there, does it cause any damage.

Mr. YATES. What you are saying is the stuff that comes from smokestacks might not be causing the damage?

Mr. PHILPOT. That is true. Yes, sir.

Mr. YATES. Is that what you are looking for?

Mr. PHILPOT. Yes, sir. Spruce trees in the Appalachians for at least 100 years have been dying in large areas for all kinds of reasons, root rot, droughts, frost kill, old age. Trees get old and die.

Mr. YATES. What about the fish in the lakes?

Mr. PHILPOT. Fish in lakes—I am not an expert in aquatic systems, and I don't want to particularly deal with that. I could get information for you on it though. There are certain lakes in this area acidified by deposition.

COOPERATIVE ARRANGEMENT

Mr. YATES. You are telling the committee, then, that the Canadian government, apart from political matters, is satisfied with the rate of progress that you and the Canadians are doing?

Mr. PHILPOT. Yes, sir, on forests. On the question of forests only. That is all I am dealing with.

Mr. YATES. Which agency is looking at——

Mr. PHILPOT. The Forest Service is the lead agency.

Mr. YATES. What about questions on the impact of whatever this scourge is causing on lakes and fish and animals?

Mr. PHILPOT. I am not sure who is in charge of that. It is probably not the Canadian Forest Service.

Mr. YATES. In our country? Is the EPA?

Mr. PHILPOT. Yes, EPA has the lead at the Federal level in the United States.

Mr. YATES. Is there another agency involved? What other agencies are involved in this?

Mr. PHILPOT. In aquatics or terrestrial?

Mr. YATES. Both. Take the whole question.

Mr. PHILPOT. NOAA, Interior, and the Park Service.

Mr. YATES. EPA——

Mr. PHILPOT. Yes. Every Federal agency by law doing acid rain research is in this program.

ADDITIONAL OPPORTUNITIES

Mr. YATES. Let's talk about other results of the proposed reduction. I think we are through with acid rain. Thank you.

Wait a minute; sorry about that. No new areas of research investigation will be funded in the areas of watershed influences and effects on specific ecosystems. Are there new areas that could be initiated if funds were available?

Mr. PHILPOT. In the area of watershed research?

Mr. YATES. And specific ecosystems; both.

Mr. PHILPOT. I am not sure what is meant by specific ecosystems, but there are areas of research that could be funded in the watershed area, specifically research that would deal with treating pared watersheds to test models on how deposition affects water quality.

Mr. YATES. Should we be doing that?

Mr. PHILPOT. There is a current plan being developed by Forest Service to identify additional needs with NAPAP, the national program for funding in this area. I don't think the Forest Service right now would be in a position to ask for or require funding for this initiative. At some point in the future that may happen.

Mr. YATES. Where would that happen?

Mr. PHILPOT. It has been identified as part of EPA's budget.

Mr. YATES. I see, but in the Forest Service you don't need any more money to continue your research? You are all set?

Mr. PHILPOT. I feel comfortable with the current level of funding, yes.

WEST AND MIDWEST

Mr. YATES. We asked in our 1986 conference report to make sure high altitudes of western and midwestern areas receive attention in the acid rain program. Are you doing anything about that?

Mr. PHILPOT. Yes, sir. We started a brand-new research program at the Rocky Mountain station last year to deal with that specific question about the effects of acid deposition on Class I areas, which are essentially wilderness areas in national parks.

Mr. YATES. That is not one of the Forest Service research areas being closed?

Mr. PHILPOT. No, sir. That project is adequately funded in the 1987 budget request. We added additional funding at Riverside to allow them to branch off into the high elevations and commercial forests of California, which they have done. Then, about six weeks ago, we initiated the western cooperative under the EPA-Forest Service program, which will address all areas in the West. So I think we have met the directive.

BASELINE RESEARCH PROGRAM

Mr. **Yates**. The Hardwood Research Council came in to testify, and their testimony was to the effect that the baseline research program had been reduced 45 percent below the level of funding available in 1981. How accurate is that?

Mr. **Philpot**. Total Forest Service——

Mr. **Yates**. Not including initiatives, atmospheric deposition.

Mr. **Philpot**. I would have to have someone else answer that, Mr. Chairman.

Mr. **Yates**. Does someone else want to answer it?

Mr. **Ohman**. I can't answer that.

Mr. **Yates**. In other words, what is the effect of continuing to reduce the baseline research efforts of the Forest Service is what I am getting at.

Mr. **Philpot**. Obviously he is talking total research program.

Mr. **Yates**. That is right. Thank you, Dr. Philpot.

If we reduce the baseline, you are not in good shape, are you?

Mr. **Ohman**. I guess I am not positive on how he is measuring this. He may be talking in terms of constant dollars and this sort of thing, but it is an obvious factor. The total research program has declined over the past few years.

Mr. **Yates**. Suppose we didn't have Gramm-Rudman. Are there increases over your proposed 1987 budget you would propose for baseline research programs?

Mr. **Ohman**. Yes. Our original proposal was, of course, higher than what we have now.

Mr. **Yates**. $14 million worth.

Mr. **Ohman**. Yes, sir.

Mr. **Yates**. Was that enough? It would help, wouldn't it?

Mr. **Ohman**. It would help, yes.

Mr. **Yates**. Suppose we were to grant the $14 million out of this committee, where would you apply the money? I know you have got it all in various pieces in the budget, and that is where you would apply it, right? You haven't changed that since then?

Mr. **Ohman**. We might make some slight adjustments based on——

Mr. **Yates**. Put into the record where you think, if you were to receive the additional $14 million, where it should go.

Mr. **Ohman**. Yes, sir.

[The information to be furnished follows:]

The President's FY 1987 Budget provides for continuing high priority Forest Research while providing for the orderly termination of lower priority research and delayed implementation of new research activities.

Most of the reductions in the Forest Research program come from the proposed termination of the Competitive Grants program and the termination of the National Vegetation Survey. The grants already awarded under the FY 1985 Competitive Grants program and that will be awarded under the FY 1986 program will continue for 2-5 years, thereby permitting a substantial body of grants research to continue even thought the FY 1987 funding is terminated. The National Vegetation Survey is being terminated in FY 1987 because there is too little knowledge at this time to adequately identify the variables to measure in an operational survey. The survey is being postponed until such knowledge is available.

The Forest Research program changes that could be made with a funding increase of $14.0 million above the FY 1987 Budget estimate of $111.5 million, are described in the following tables:

> Table 1 displays the dollar allocation of the funding increases above the FY 1987 Budget, by budget line item.
>
> Table 2 provides a narrative of the research areas that could be emphasized with the $14.0 million of funding increase, by budget line item.

The allocation of these Forest Research increases include additional funding for a number of research initiatives. The funds that could be added to various initiatives with the $14.0 million increase above the FY 1987 Budget include: acid rain, $2,000,000; biotechnology, $900,000; old growth/wildlife habitat and threatened and endangered species, $500,000; contributions to land management planning data and analysis techniques, $1,625,000; west coast gypsy moth, $200,000; international trade in forest products, $75,000; and international forestry, $100,000. Additional contributions to these emphasis areas, especially biotechology, could come from the Competitive Grants program increases. The remainder of the funding increases could be spread among a number of other research areas, thus retaining the proper balance among components of the Forest Research program.

FOREST SERVICE FOREST RESEARCH CAPABILITY RECOMMENDATIONS

FOR FISCAL YEAR 1987

Table 1. Forest Research Allocation of a $14,000,000 Funding Increases above the FY 1987 Budget of $111,481,000, by Budget Line Item.

Budget Line Item	FY 1987 President's Budget	Increase Capability	Total FY 1987 with Increase
	(Dollars in thousands)		
Fire and Atmospheric Sciences Research	$ 7,546	$ 700	$ 8,246
Forest Insects and Disease Research	20,178	1,000	21,178
Forest Inventory and Analysis	14,222	3,000	17,222
Renewable Resources Economics Research	4,456	400	4,856
Timber Management Research	21,339	1,950	23,289
Watershed Management and Rehabilation Research	14,858	1,100	15,958
Wildlife, Range, and Fish Habitat Research	9,291	1,100	10,391
Forest Recreation Research	2,077	300	2,377
Forest Products and Harvesting Research	17,514	1,100	18,614
Special Projects Competitive Grants	0	3,350	3,350
TOTALS	$ 111,481	$ 14,000	$ 125,481

FOREST SERVICE FOREST RESEARCH CAPABILITY RECOMMENDATIONS

FOR FISCAL YEAR 1987

Table 2. Research Program Emphasis that could be Achieved with a $14,000,000 Increase in Forest Research Funding above the FY 19897 Budget of $111,481,000, by Budget Line Item.

INCREASED FUNDING ($1,000)	BUDGET LINE ITEM
700	Forest Fire and Atmospheric Sciences Research o Research on atmospheric deposition. o Research on problems encountered with fire in the urban/wildland interface. o Research on fire and air quality in the Pacific Northwest and Alaska.
1,000	Forest Insects and Disease Research o Research on root rots in west coast forests. o Research on development of disease resistance through somaclonal variation and selection. o Research on population dynamics of southern pine beetle. o Research on tree stress physiology interactions with insect activities. o Research on biological control of gypsy moth in western conifers. o Research on the physiology of host resistance to insects.
3,000	Forest Inventory and Analysis o Intensify forest inventory remeasurement to provide more current and useful resource information nationwide. o Research on remote sensing and other advanced techniques to update forest inventories.

- Research on techniques to assist in land management planning processes and multi-resource analysis.
- Research on timber demand trend modeling.
- Research on methods to forecast supply and demand for timber regionally and project regional timber supplies.
- Partially restore research program to assess forest health in relation to atmospheric deposition impacts. (National Vegetation Survey)
- Research on growth trends and statistical methods related to acid rain and land management planning.

400 Renewable Resources Economics Research

- Timber investment analysis in the northern United States.
- Research on techniques to evaluate resource values.
- Research in economics of multiple use.
- Research on impacts of tax policies on international trade.

1,950 Timber Management Research

- Research on application of biotechnology to tree genetics.
- Research on Alaskan ecosystems definition and classification.
- Research on stress physiology of trees.
- Research on wetland hardwood silviculture in the Atlantic coastal plain.
- Research on regional timber growth and yield prediction in the northeast.
- Forest vegetation management research and development program for California.

- o Research on interior Douglas-fir and ponderosa pine in the northern and central Rocky Mountains.
- o Appalachian silviculture research.

1,100 Watershed Management and Rehabilitation Research

- o Research on effects of atmospheric deposition and acid rain on water quality and forest vegetation nationally.
- o Develop soil stabilization techniques in coastal Washington.
- o Research on determining cumulative long-term effects of man's activities within watershed calibration and data collection capabilities.
- o Research on improved data collection methods and watershed calibration in the central Appalachian.

1,100 Wildlife, Range, and Fish Habitat Research

- o Old growth timber/wildlife monitoring research including spotted owls in the Pacific Northwest.
- o Research on habitat requirements of endangered species such as grizzly bear and woodland caribou in the Rocky Mountains.
- o Evaluate factors that determine trout stream productivity in the Appalachian.
- o Research to develop semiarid habitat management guides for the southwest.
- o Restore moose habitat research in Alaska.
- o Research on tropical wildlife habitat requirements including the Puerto Rican parrot.

300 Forest Recreation Research

- Wilderness management research in the Rocky Mountains.
- Research on recreation management in the urban/wildland interface in southern California.

1,100 Forest Products and Harvesting Research

- Restore research on spaceboard, structural fiber products, and engineered structural components and systems.
- Research on microbial and enzymatic conversion of wood.
- Engineering systems research for southern forest management.
- Research on advanced automated systems for improved eastern wood utilization.
- Restore research on use of tropical species.

3,350 Special Projects, Competitive Grants

- Conduct a competitive forestry research grants program to develop fundamental knowledge and understanding of the structures, processes, and relationships within forest ecosystems that will provide a basis for scientific forest management and utilization of wood.

GYPSY MOTH RESEARCH

Mr. YATES. What is the status of your gypsy moth research?

Mr. OHMAN. It is continuing in the East, but we have not been able to initiate that in the West.

Mr. YATES. Why not?

Mr. OHMAN. Except for a very small program.

Mr. YATES. Why not? Funding?

Mr. OHMAN. Funding, yes, sir.

Mr. YATES. What happens in the West then? They have to suffer the depradation of gypsy moths?

Mr. OHMAN. There is a control program scheduled for the West, and there was one last year, too, as you know. The uncertainty in the West is that we are not really sure how that insect will react under western conditions. We know more than we like to know how it reacts in the East because of experience in research.

Mr. YATES. Well, are we any closer to finding ways of controlling gypsy moths and their spread?

Mr. OHMAN. Yes. I think every year we get a little bit closer. As you know, we do have some control methodology. It is quite controversial, use of insecticides and so on. We are seeing improvements in some of our biological insecticides, BT and some of those.

Yes, we are making some progress. To be realistic, we have to say that this insect is now a naturalized American, and he is here to stay, certainly in the East. You certainly will never be able to eradicate it. What we are trying to do is learn how to live with it.

Mr. YATES. Have you ever succeeded in eradicating any insect scourge?

Mr. OHMAN. No, not to my knowledge.

Mr. YATES. How about boll weevils in the agricultural program?

Mr. MYERS. Still have those.

Mr. AuCOIN. We still have them.

Mr. YATES. Boll weevils? That is the traditional and classical evil that—here in the South, you hear about the boll weevil. I don't think I have heard a song containing the gypsy moth that I know of.

Mr. OHMAN. There have been some successes in agriculture in complete eradication of an insect.

Mr. YATES. Such as what?

Mr. ROBERTSON. Screw worm is one, but then you keep having reintroductions and have to start over again, but it is not an impossibility.

Mr. YATES. You talk about using insecticides. I thought I had read somewhere that insects come back stronger, strains of insects come back stronger than ever after the insecticides. Apparently they learn to digest them to compensate for them.

Mr. OHMAN. Yes, this has happened and has been documented and this is why research really kind of has to continue constantly, to overcome those kinds of things, development of new——

Mr. YATES. Is that happening to any strains you can tell us about?

Mr. OHMAN. Not to my knowledge in any forest insects at this point. We do use a mixture of insecticides and so on, to avoid these kinds of things.

Mr. YATES. All right. The gypsy moth is still very strong?

Mr. OHMAN. Yes.

Mr. YATES. The impact of it.

Mr. OHMAN. Yes.

Mr. YATES. You just fight it with the use of insecticides.

Mr. OHMAN. Primarily, and we are doing research on some ways of avoiding the impacts and strain manipulations and that sort of thing.

Mr. YATES. What impact have you had on dutch elm? Is that under control?

Mr. OHMAN. Well, I guess not really. We know of ways to reduce our losses. I think the Washington area is a good example of that where we do have dutch elm disease present, but we still have a lot of elms and the Park Service does a very good job on their sanitation controls and then some use of insecticides. So, yes, we are making some progress, but there are an awful lot of elms no longer present in particular cities like Atlantic City.

Mr. YATES. So-called old growth.

Mr. OHMAN. Yes.

FOREST INSECTS AND DISEASE RESEARCH

Mr. YATES. Is it premature to reduce funding for fusiform rust on southern pines?

Mr. OHMAN. That was one of the diseases as we looked at our priorities. This is one we felt was a lower priority.

Mr. YATES. Should you be doing research on it?

Mr. OHMAN. Yes, if we had a higher budget level, we would be doing research.

Mr. YATES. What is happening on spruce bud worm research in this budget request?

Mr. OHMAN. We would propose reducing our effort by 223,000 on eastern spruce bud worms.

Mr. AUCOIN. Is the problem abating?

Mr. OHMAN. Yes and no. It is more or less on a maintenance basis now. We have completed some of that research. This is on the eastern spruce bud worm I am speaking of.

Mr. AUCOIN. Is there any reduction in the West on the problem of infestation?

Mr. OHMAN. We would maintain our effort in the West.

Mr. AUCOIN. Is the problem declining in the East?

Mr. OHMAN. Is the problem declining?

Mr. AUCOIN. Yes.

Mr. OHMAN. No, but again we know a fair amount about it and how to control it and avoid damage.

Mr. AUCOIN. Is that why it does that? Does that account for the reduction from last year's baseline?

Mr. OHMAN. Yes. About a $223,000 reduction for that research.

Mr. AUCOIN. It is money just not needed for this research in the East?

Mr. OHMAN. Well, it is a lower priority when we look at a restricted budget.

Mr. PETERSON. If I might, Mr. Chairman, if I may suggest once you get an answer, it may not be the ultimate answer, then you go after insects and disease, you have an operational answer and that is the case in the eastern spruce bud worm. We have some answers which include both agricultural approaches and some insecticide approaches. So, even though we are continuing some research, you then move to something else like a mountain pine beetle where we have no firm answer. That kind of shift in the budget.

Mr. AuCoin. What about the mountain pine beetle? What does the budget call for there, an increase or decrease?

Mr. Peterson. We are staying about the same, a $59,000 change, I believe.

Mr. AuCoin. So we are not using the savings from what we have learned with the spruce bud worm and accelerating our effort——

Mr. Peterson. We held the mountain pine beetle pretty much steady, though.

Mr. Yates. How do you decide where to cut your research funding? I looked at a schedule dated April 2nd, by Mr. Leasure, page 29. He indicates that you are cutting your budget by $915,000, and it says that the amount that is being cut in Orono, Maine, for example, terminating research on spruce bud worm and that is the amount cut there. Then in Madison, Wisconsin, you are cutting $51,000 for determining research on developing safe and inexpensive treatments against subterranean termites. Then you are cutting $101,000 for terminating research on brown spot needle blight on long-leaf pine in Gulfport, Mississippi.

And in Berkley, California, you cut $112,000 for reducing research on insect species of young forest stands. In Berkley, California, you are cutting $56,000 for reducing research on bark beetles of high value conifers.

Is that a spruce bark beetle? The high-value conifer spruce? What is a high-value conifer?

Mr. Ohman. In that part of the world it would be a Ponderosa pine probably.

Mr. Yates. High-value conifer. All right. Then in Idaho, you are cutting $50,000 by reducing research on root rots of Rocky Mountain conifers. Then you are cutting $60,000 from Carbondale, Illinois, for research on diseases and insects of high-value hardwood. In Delaware, Ohio, you are reducing research on effects of atmospheric deposition on eastern trees by $112,000.

You cut $100,000 in the research of fusiform rust, southern pines, Gulfport; another $150,000 to cut back on methods to protect wood from decay.

FAIRBANKS, ALASKA, LABORATORY

All right. You are eliminating the Institute of Northern Forestry in Fairbanks. Is that the name of your research lab?

Mr. Ohman. Yes, we would close that as a research laboratory.

Mr. Yates. Doesn't that include most of America's arctic and subarctic research capability?

Mr. Ohman. Yes.

Mr. Yates. I thought before when we spoke it was only related to fire research, but there is other research it cuts.

Mr. Ohman. That is right. Not all of the research being done at Fairbanks would be eliminated or terminated. Some of it would be removed to Anchorage, Alaska, and some of that research would continue. A good portion of what is now being done——

Mr. YATES. You would be losing the possibility of the daily field service, would you not?

Mr. OHMAN. Yes. The particular thing we need to say about Fairbanks, however, is that we have been doing research up there for a number of years. We have made some strides, so we are not absolutely without any information at all.

PARSONS, W.VA., LABORATORY

Mr. YATES. You want to spend $161,000 at Parsons, West Virginia, right, in your 1986 budget? That is to take care of damage that occurred from flooding. That was money that was put into the supplemental.

Excuse me, not the supplemental, last year's regular bill. Now you are closing the laboratory. It doesn't make sense, does it?

Mr. PETERSON. Mr. Chairman, that money was not put into last year's appropriation. There was direction in that appropriation act to go ahead and take care of the damage and so on. There was no funding put in the bill. This is the amount of money it would take to—there are two numbers that you have there. One is what it would take to—we have already spent, the other is the amount of money that would make it operational. The third item, I think it is about $180,000, is what it would take—$181,000 would allow it to remain open and continue research there, which would include replacement of the greenhouse laboratory and other buildings.

We have done the immediate work that had to be done at the time of the flood. It is a joint occupied facility by research and industry.

Mr. YATES. Okay.

WILDLIFE RESEARCH

How much is in your budget for old growth habitat research in 1987?

Mr. OHMAN. $1,070,000, sir.

Mr. YATES. How is that compared to 1986?

Mr. OHMAN. It is the same as in 1986.

Mr. YATES. How much do you propose to include for research relating to threatened and endangered species?

Put that in the record with a comparable amount for 1986, please.

Mr. OHMAN. Yes, sir.

[The information to be furnished follows:]

FOREST RESEARCH FUNDING OF THREATENED AND ENDANGERED WILDLIFE SPECIES

[In thousands of dollars]

Species	Fiscal year—		
	1986 CR	1986 DCA[1]	1987 budget
Red-cockaded Woodpecker (Clemson, SC)	314.0	300.5	314.0
Red-cockaded Woodpecker (Nacogdoches, TX)	73.0	69.9	73.0
Puerto Rican Parrot (Rio Piedras, P.R.)	205.0	196.2	205.0

FOREST RESEARCH FUNDING OF THREATENED AND ENDANGERED WILDLIFE SPECIES—Continued

[In thousands of dollars]

Species	Fiscal year—		
	1986 CR	1986 DCA[1]	1987 budget
Timber Wolf (St. Paul, MN)	28.0	26.8	28.0
Kirtlands Warbler (St. Paul, MN)	57.0	54.5	57.0
Grizzly Bear (Missoula, MT)	90.0	86.1	90.0
Bald Eagle (Skagit River, WA)	75.0	71.8	75.0
Carry-over on Hawaii Birds (Arcata, CA)	20.0	19.1	00.0
Total	862.0	824.9	842.0

[1] The FY1986 DCA is an estimate. Actual expenditures may vary slightly as personnel vacanies permit reallocation of the DCA reductions within the DCA reduction guidelines.

Mr. YATES. Do you need any extra money to continue this Skaget River bald eagle project in 1987?

Mr. OHMAN. No. I believe we would propose to terminate that in 1987, Mr. Chairman.

[COMMITTEE NOTE.—The agency subsequentially informed the Committee that the research project is proposed for funding $75,000 in FY 1987, which is the same amount as was appropriated in the FY 1986 Continuing Resolution.]

Mr. YATES. How much is included for the Puerto Rican parrot? What is the status of the request for the Puerto Rican government for possession of the eggs in captivity?

Mr. OHMAN. We have been discussing it with them. There has been no decision made at this point.

Mr. YATES. How long have you been discussing it with them?

Mr. OHMAN. I am not positive. Could we provide that for the record?

Mr. YATES. Sure.

[The information to be furnished follows:]

The FY 1986 Continuing Resolution funding for Forest Research includes $205,000 for research on the Puerto Rican parrot, subsequently reduced to $196,200 through sequestration under the Deficit Control Act. The FY 1987 budget request includes $205,000 for research on the Puerto Rican Parrot.

All recovery activities related to the Puerto Rican Parrot are coordinated by an inter-agency commission, of which Puerto Rico DNR, US F&WS, and USFS are members. In the original recovery plan for parrots there was a plan to establish a second aviary for security purposes. In December 1985 the Puerto Rican DNR proposed that any new eggs available in the current aviary be sent to establish the parrot population in the second aviary. The inter-agency commission has received this proposal from the Puerto Rican DNR but has not yet met to discuss the proposal. At this time there are no eggs available in the current aviary, and construction is not yet complete on the second aviary.

Mr. YATES. Was it started by Dr. Buckman?

Mr. OHMAN. To my knowledge, this is a relatively recent development where the Puerto Rican government was wanting to take it over.

Mr. YATES. What is happening to Kirtland's Warbler?

Mr. PETERSON. We are continuing management there. As far as the protection of the Warbler. I don't have an up to date—this year's number, but we have been working with that Washington letter for many years.

URBAN FORESTRY RESEARCH

Mr. YATES. How much money is in the budget for urban forestry by locations?

Mr. PETERSON. There is no budget.

Mr. YATES. Does that mean zero or very good?

Mr. PETERSON. Are you talking about urban forestry research, Mr. Chairman?

Mr. YATES. Yes, sir.

Mr. PETERSON. The research in the Chicago area is continued in the budget. There is a reduction, an overall reduction.

Mr. OHMAN. I have it here if you would like it. At State College, Pennsylvania, $332,000; at Syracuse, New York, $280,000; at Chicago , $346,000; at Athens, Georgia, $57,000; and at Berkley, $154,000.

Mr. YATES. How do they compare to 1986?

Mr. OHMAN. There is a slight reduction in the recreation at Saint Paul, but the urban forestry remain about the same.

WILDERNESS MANAGEMENT

Mr. YATES. How much money is in the budget for wilderness management research?

Mr. OHMAN. Two hundred twenty-four thousand dollars.

Mr. YATES. Is that enough money to provide for on-the-ground management of the expanded wilderness system in the Forest Service?

Mr. PETERSON. That doesn't finance on-the-ground management. That is research, which is only wilderness research.

Mr. YATES. What is there for management research?

Mr. PETERSON. The management part is under the National Forest System; $8 million in the National Forest System budget for wilderness management.

Mr. YATES. Is that enough?

Mr. PETERSON. It is enough to begin the posting of perimeters of new wilderness areas at most likely points of intrusion and so on, and that will be done over a period of years.

This is the way we approach it.

Mr. YATES. How does that affect the report you have to file on the wilderness area?

Mr. PETERSON. We would file a report. It is not a question of filing a report, but when a new wilderness boundary is established, there are maybe several hundred miles around that ground, and people who have been used to entering the area—for example, with mechanized equipment—no longer can do that.

So, you identify the most common point where people enter and begin sign posts and put out publicity and this type of thing.

We would sign the most obvious points where people might go into the area. You have to continue working on that all the time.

Mr. YATES. You haven't had adequate money to do that?

Mr. PETERSON. Over time.

Mr. YATES. What period would you do that?

Mr. PETERSON. Over about a five-year period.

Mr. YATES. Will that protect the wilderness areas?

Mr. PETERSON. It will obviously protect the most likely place of intrusion. There will be some intrusion, yes.

Mr. YATES. What is the effect of the intrusion?

Mr. PETERSON. Sometimes it is very little. It might be a place where they are used to riding motorbikes and it has been done for 20 or 25 years, and somebody is going to continue to do that, except now they can't.

So, it is more of a combination of education and signing problem. We prefer to let people know they no longer can do that.

Mr. YATES. Suppose a person doesn't know and goes in? What happens to him? Does a forest ranger give him a ticket?

Mr. PETERSON. Normally we would warn him. If it is somebody we know, we would let them know about it. We would not ticket people, both as a matter of policy and enforcement of law, if there is no signing and no way for people to know.

Mr. YATES. Have any of the wilderness areas been hurt by this kind of operation?

Mr. PETERSON. I don't think substantially, no.

Mr. YATES. What is the nature of an insubstantial hurt?

Mr. PETERSON. As I mentioned, probably the most damaging——

Mr. YATES. If they drive a motorbike in——

Mr. PETERSON. There is some places you can get access with four wheel drive vehicles where the damage would be in the nature of wheel tracks or something that might be visible for a long time. In some cases they might start erosion.

Mr. YATES. Where has this happened?

Mr. PETERSON. It has happened historically in some areas.

Mr. YATES. I know it has happened in some of the parks in southern California, but I didn't know it was happening in forest lands.

Mr. PETERSON. Oh, yes. We have worked with four wheel drive organizations to designate areas where they can use four wheel drive vehicles safely without damage and where they can't, and that has been rather successful.

CANNABIS

Mr. YATES. What are you doing about your marijuana problem? Are people still growing marijuana in forest lands?

Mr. PETERSON. Yes, sir. In national forests, in state parks, in national parks, in military reservations.

Mr. YATES. More is being grown in national forests, isn't it?

Mr. PETERSON. Probably national forests and BLM administered lands are the two areas that people select.

We don't have a lot of gates to control access. There is a lot of private land inside the area where the people are anyway.

Mr. YATES. Do you know it is going on or do you suspect it is going on?

Mr. PETERSON. We know it is going on. We work closely with both the Drug Enforcement Administration at the Federal level and with local sheriffs and state police.

Mr. YATES. Have you got enough money to deal with the problem?

Mr. PETERSON. We have a $2 million item in the budget.

Mr. YATES. Is that enough?

Mr. **Peterson**. I think in concert with DEA and local people, yes, it is a reasonable amount.

Mr. **Yates**. How do you know the money is going to be used only for marijuana elimination?

Mr. **Peterson**. Two million dollars is to work with state and local people, both in surveillance to detect areas where it is being grown.

Mr. **Yates**. Do you give awards to people for finding it?

Mr. **Peterson**. DEA has a procedure by which they can do that. Normally, what we are doing is we are working with local sheriffs and with state police to provide a reasonable amount of surveillance to first deter it from happening.

We would rather people simply not grow the stuff, because once the marijuana is grown, you also set up threats to people's use of the area, which can include harassment of visitors.

So, we would like to have a level of funding that first acts as a deterrent.

Mr. **Yates**. But it is growing. You have had this problem for how many years now? You have been Chief for how long?

Mr. **Peterson**. Almost seven years.

Mr. **Yates**. All during this period they have been growing marijuana in the national forest, haven't they?

Mr. **Peterson**. We think we are making progress.

Mr. **Yates**. Tell us about the progress.

Mr. **Peterson**. There is substantially less being grown, for example, in the State of California.

Mr. **Yates**. How do you know that?

Mr. **Peterson**. Because of the amount that is detected.

In other words, we know, for example, three years ago in California, there was a lot of marijuana being grown in certain areas. In fact, there were certain areas our own people were afraid to go into.

Now, with some concentrated attention by the State of California, by the Drug Enforcement Administration and our own people, we would essentially return those areas to restore proper public use.

Now, unfortunately, because of the monetary rewards of growing it, people tend to try to move to other areas where they think we don't have surveillance, maybe private lands.

Mr. **Yates**. That is why I asked you the question.

How do you know you are not getting comparable amounts being grown in other areas?

Mr. **Peterson**. Our overall detection indicates the total amount is going down somewhat on national forests.

Mr. **Yates**. Is that a wish or a fact?

Mr. **Peterson**. That is based on our statistics. I don't have the statistics with me, but we show a decreasing amount being grown on national forest land.

Mr. **Yates**. Is that for publication or is it actually a fact?

Mr. **Peterson**. No, that is our data.

Mr. **Yates**. I know it is your data.

Mr. **Peterson**. In fact, Mr. Chairman, the fact we have had increased detection——

Mr. **Yates**. In a particular area?

Mr. PETERSON. No, throughout the National Forest area we have had increased detection.

Mr. YATES. How do you get increased detection? Do you have rangers on foot or off foot?

Mr. PETERSON. A lot of areas you can detect marijuana from the air.

Mr. YATES. Mr. AuCoin.

Mr. PETERSON. I just mention it because we have had additional detection. Theoretically with detection, you would find more of it. Early on when we were increasing detection, we found more of it. It looked like the amount was going up.

Now that we have a decent level of detection the amount is going down.

Mr. YATES. Is the number of flights you are using for detection being cut back because of the budget reduction?

Mr. PETERSON. No. Next year we will probably have about the same amount as this year.

COMPETITIVE GRANTS

Mr. AUCOIN. Yesterday you indicated your request to OMB for the competitive grants program was $5 million, but when you got your budget back you had it cut, you had to zero that item out, most of the grants, as I understand it, with multi-year grants.

So, my question that I didn't ask yesterday, but I would ask today is: What will the effect of the 1987 request be? Will it prevent you from approving new grants or will it stop ongoing multi-year research at the point where it is now?

Mr. PETERSON. It will stop the multi-year competitive grants that were at issue.

Mr. YATES. So everything underway will be spent out and completed.

Mr. PETERSON. Right.

Mr. AUCOIN. On schedule?

Mr. PETERSON. Well, providing the researchers are able to keep it on schedule. The funding is committed at the time that multi-year grant is provided.

Mr. AUCOIN. If it is not on schedule, it won't be because of this budget request.

Mr. PETERSON. That is right. We will not make new ones, is what it amounts to. That is being handled by the Office of Competitive Grants and the Department at our request.

Mr. AUCOIN. I recall that the competitive grants were initiated in response to the Office of Technology Assessment report that suggested a need for improved utilization of wood products.

And consequently, you have been splitting competitive grants about 50/50, as I understand it, between basic biological research on the one hand, and harvesting and utilization research on the other.

Mr. PETERSON. That is very clearly specified in the legislation, the direction in the legislation indicates that 50/50 split.

Mr. AUCOIN. You have no discretion?

Mr. PETERSON. We don't think we have any discretion in that.

Mr. AuCoin. What about the companions to these grants, the centers of excellence, the one at Oregon State University, another at Mississippi State University, another at Purdue University?

I know that is funded under the agriculture appropriations, but they were authorized as companion programs to the competitive grants.

Are they being funded in this year's budget request?

Mr. Peterson. I don't know the answer to that. We would be glad to find out for you and let you know.

FORESTRY INTENSIFIED RESEARCH

Mr. AuCoin. Let me ask you one final question that has to do with the FIR research.

Mr. Peterson. Forestry intensified research.

Mr. Yates. What is the budget request level for that research program? I can't find it.

Mr. Peterson. We have it.

Mr. AuCoin. Is it up or down or the same as last year's levels?

Mr. Peterson. I believe it is beginning a phase-down in accordance with the plan for it. Dr. Ohman has the numbers there.

Mr. Ohman. Essentially it is no change. In the 1987 level, it is $1,057,000.

Mr. AuCoin. So it is about the same.

Mr. Ohman. It is about the same.

Mr. AuCoin. Is it making good progress?

Mr. Ohman. Yes, it is.

Mr. AuCoin. It is a joint public-private endeavor, is it not?

Mr. Ohman. That is correct. Oregon State University is heavily involved, as is the Forest Service.

Mr. AuCoin. My understanding is there are a couple hundred thousand acres of suitable timberstand, and that is being set aside and used for this research purposes. Is that correct?

Mr. Ohman. I really can't say. I have not been able to——

Mr. AuCoin. Chief, is that right?

Mr. Peterson. What they are doing is using a lot of different areas. A lot of areas are on BLM land.

Mr. AuCoin. BLM is involved, too?

Mr. Peterson. Yes. It is not just a research program; it is also an application program, so they are actually doing reforestation and following up to see how it does.

Mr. AuCoin. It is aimed at improving the quality of these timberstands, is it not?

Mr. Peterson. Yes. And it has allowed the Bureau of Land Management to return some lands——

Mr. AuCoin. Marginal lands?

Mr. Peterson. Yes, lands where the knowledge was not there to successfully reforest, and some of our own land was like that.

Mr. AuCoin. It came out of the marginal category and into the suitable category and is profitable as forest land?

Mr. Peterson. Yes.

Mr. AuCoin. In the conference report for the fiscal year 1986 CR, you were called upon to start looking at a similar project, the

COPE initiative, as FIR begins to wind down, and we understand FIR is beginning to wind down.

I am impressed from what I know about this initiative and I think it might help resolve some research conflicts in particular forest lands in Oregon.

Are you beginning to look at the COPE initiatives, and if so, in what way as directed by the CR?

Mr. PETERSON. We developed that in accordance with a congressional directive and, I believe, in early February transmitted that to Congress, and we would be glad to provide you with an additional copy of that.

Mr. AUCOIN. Is there funding in this budget request for this?

Mr. OHMAN. The report submitted was part of a larger package called PARR, P-A-R-R, which was Pacific Resources Research.

The COPE portion was incorporated into that overall research, from California through Alaska.

The COPE package for Oregon was included in that budget package.

Mr. AUCOIN. Package of funding?

Mr. OHMAN. The program proposal or program outline.

Mr. AUCOIN. How much will be allocated to the COPE initiative, do you know?

Mr. OHMAN. Not at this point. We are still winding down FIR. It is planned that we would move the money out of FIR——

Mr. AUCOIN. Out of FIR into COPE?

Mr. OHMAN. Yes. In 1986, our Pacific Northwest station will spend about $105,000 on the COPE program, again moving it out of FIR and into COPE.

Mr. AUCOIN. Chief.

Mr. PETERSON. Let me be careful here. What they did was put together the overall research program as directed by the congressional directive.

But quite a bit of that we are already doing as part of ongoing research.

In addition, Dr. Ohman said, as we wind down FIR we could put additional money into it, but overall, in the Forest Service, if we look at California, Oregon, Washington and Alaska, we have about $6 million in research related to coastal areas.

So——

Mr. AUCOIN. I am talking about that specific local initiative involving the local Forest Service, BLM——

Mr. PETERSON. There is already some research going on there. What this does is build on that. It is laid out in the report of Congress. We will be sure you get a copy of it.

Mr. AUCOIN. Thank you.

Mr. YATES. All right. Let's come back at 1:30.

AFTERNOON SESSION

TIMBER SALES

Mr. YATES. I believe Mr. AuCoin talked to you about the size of the budget.

Mr. PETERSON. The President's budget proposal for 1987 is ten billion BBF.

Mr. YATES. Compared to 11.4?

Mr. PETERSON. Compared to 11.4. That will be reduced somewhat.

Mr. YATES. By 1 point——

Mr. PETERSON. 11.4. It will be reduced approximately 4.3 percent.

Mr. YATES. You tell us about what your cut is going to be. We always assume that that is the upper level of the cut. Yet when the statistics come out, you usually had a bigger cut than you told us you were going to have.

Mr. PETERSON. On harvest for 1986, we estimated we would have around 11 billion harvest for 1986. The Congress, the two committees of Congress decided it was going to be less, probably going to be around 10. So, for estimating purposes for administration of contracts, you reduced it to 10. It looks like now it will be around 11.2 billion, the actual harvest level.

What the appropriation does effectively is control the level of sell. It does not control the level of harvest. That varies from year to year.

Mr. YATES. Presumably, we control the level of preparation and availability, right?

Mr. PETERSON. Yes, sir.

Mr. YATES. In 1985, 11.7 was prepared and 11.5 was offered, and 10.8 was sold.

Mr. PETERSON. I think that sounds correct.

Mr. YATES. How are you able to prepare often more than you originally estimated?

Mr. PETERSON. We generally are almost exactly on target, what we offer versus what we are supposed to offer. We generally run 100.5 percent or 99.5, or something like that.

Mr. YATES. How do you account for the fact that——

Mr. PETERSON. We specifically, last year—you remember we had the southern pine beetle infestation, and a fund was set up for allowing additional salvage sales to take care of that kind of situation.

Mr. YATES. You sold .7 billion board feet less than were offered in 1984 and 1.2 billion board feet less than were sold and offered. Will the .7 BBF be offered in 1986?

Mr. PETERSON. Yes. Generally, we re-offer sales that did not sell, unless we might not re-offer them the next year if we have had an insect infestation, of something. We decided to go to that. Instead of re-offering that, we might hold it for two years. Generally we re-offer sales that do not sell, although we might change the size of them and some other things so they sell.

FOREST ROADS

Mr. YATES. How much road money are you asking for for your timber program this year?

Mr. PETERSON. On page 236 of the explanatory notes, we provide a detailed breakdown, and the 1987 budget for the forest road program in support of the timber purchaser is $90.764 million, reconstruction $4.34 million, and then we give a breakdown of the balance of $83.4 million, which is related to either overall planning and management or engineering or direct construction or reconstruction of roads and bridges.

Mr. YATES. In 1985, how were you able to do 35 percent more than you estimated?

Mr. PETERSON. Mr. Chairman, as you probably recall, we began with some interest by this committee and by the Senate, too, trying to reduce standards of roads to make them lie more lightly on the land, to reconstruct only where we were absolutely sure we need to reconstruct. And, if we can use the roads by temporary closure to other use, we might do that, rather than reconstruct.

So, this, together with extremely good bids during a time when the construction industry was depressed, allowed us to build more miles.

Mr. YATES. Are you going to be above your estimate in 1986, too?

Mr. PETERSON. In 1986, we estimate we will be somewhere between 808 miles and 850. The actual miles will depend on final selection of road projects and sales, timber sales. We might be about ten percent above 1986 if we continue to reduce unit costs as the Senate Conference Committee has specifically directed us to do. Excuse me, the 808 I was remembering is in 1987. The correct number for 1986 is 924, and we might exceed that slightly if we are able to meet the five percent reduction in unit cost target that was given us by the Congress.

Mr. YATES. What would happen if the committee were to accept a budget, a road budget of, say, $140 million rather than——

Mr. PETERSON. I would need to substantially reduce the timber sale program accordingly.

Mr. YATES. From what to what?

Mr. PETERSON. Probably about the same proportion.

Mr. YATES. In 1987?

Mr. PETERSON. Yes. Unless you just—if there is a sell one year at that level and dramatic drop. Unless you are going to go to helicopters or something, you can't sell timber without having roads. So usually we provide the roads a year or two ahead of time. So in 1987, if you made that one-year cut in 1987, we would simply have to reduce 1987 a little bit, but then in 1988 and beyond, we would have to drop it precipitously because we wouldn't have access to get there.

TIMBER SALE COSTS

Mr. YATES. Would the Government save money if that happened?

Mr. PETERSON. No, the Government would lose money.

Mr. YATES. How much money would the Government lose?

Mr. PETERSON. I can't give you that offhand. But in—for example, in some regions, the returns are about three times the expenditures; in others, they are two times; in other places in the short run, your outlays might exceed income.

Mr. YATES. Why couldn't you apply the cut only to the areas where you don't make money?

Mr. PETERSON. Well, Mr. Chairman, I think, as we have talked repeatedly, you don't necessarily save——

Mr. YATES. You mean year by year by year?

Mr. PETERSON. Yes. You don't necessarily save money by reducing the sale level. In fact, the way we probably save money is by increasing the sale level because you then would be able to amortize fixed cost over a higher volume. As you know, as a businessman, by reducing output, you increase fixed costs. In fact, we have a district ranger here who has a specific example on a district we would be glad to show to you.

Mr. YATES. Why weren't you able to persuade GAO this is the case?

Mr. PETERSON. I think GAO understands the situation quite well. We also asked Resources for the Future to look at this question, and I think both RFF and GAO have concluded an individual sale is not the way to look at the program, because it is only the variable costs that make the difference in whether you should make a sale or not, not fixed costs.

So, if you were thinking about holding a hearing of this committee somewhere, you wouldn't try to amortize all the fixed costs of the salary over that hearing. You would only try to pick up the variable costs. So when you are talking about making additional timber sale, you are not re-doing those fixed costs, because they are there already. It is only the variable costs that enter into a decision.

But if you would like to see a specific look at a district, we are prepared to show you a specific look at a district—what happens when you change the level, and what that does to fixed cost and total cost. A large percentage of your costs are fixed, that don't change by whether you make a sale or not.

Mr. YATES. I have the impression that GAO came to an opposite conclusion after studying sales over a period of time rather than individual sales.

Mr. PETERSON. Not to our knowledge. GAO looked purely at cash flow on an annual basis. That is the old GAO report. Now there is a group working with us on this new timber sale accounting and information system, and we have had meetings with them in the last few weeks. I think they understand what we are doing and how we are doing it, and I think are in general agreement with our plans.

Mr. YATES. Here is a report to this committee on timber sale accounting, dated April, 1986. I am sure you have a copy of it.

Mr. PETERSON. I do not.

Mr. YATES. You don't?

Mr. PETERSON. No.

Mr. YATES. Then I have the advantage over you.

Mr. PETERSON. Maybe one of several advantages.

Mr. YATES. It is about time. GAO, on page three, says this: "Our primary concerns which arose in reviewing the Forest Service draft proposal are as follows: The system may not account for all costs. It does not clearly define the cost to be accounted for, it excludes some costs entirely and uses average costs instead of actual costs for some others."

In other words, GAO became somewhat as confused, as the rest of us, because of the way when we try to get actual costs, you keep bringing in the recreation aspects of it, the other functions that the Forest Service has in determining costs.

Mr. **Peterson**. No. GAO recognizes, as we do, that there is no recognized way of allocating certain costs between different uses. And they discussed that with us. I asked them, did they have any better idea of how to do it? And they did not.

Mr. **Yates**. Well, what conclusion do you draw from that? This is the second paragraph on page three: "The existing accounting systems the Forest Service will rely on for cost data distributes some cost on an estimated rather than an actual basis, and therefore, may not provide accurate cost information."

Mr. **Peterson**. Okay. We distribute things like heat, lights and utilities at the ranger station, and we distribute rental costs on facilities and some of that type thing by formula on an estimated basis. They recognize that that is the usual system that is used to do that. Their point was maybe we should go back and look at actual costs at the end of the year and redistribute those costs, and we agreed we can do that.

But let me point out, that won't tell you—since those costs are mostly fixed costs—that won't tell you a thing about whether you should make an individual sale. They agree with that. They won't tell you a thing about whether you make an individual sale because those costs are interchanged.

Mr. **Yates**. Then you have the advantage over me, haven't you?

Mr. **Peterson**. I don't know.

Mr. **Yates**. Sure, because you don't have to have any fixed costs. You don't have anything concrete the committee can point to.

Mr. **Peterson**. Yes. In fact, I am prepared to give you an executive summary of what we have done in response to your direction in looking at different ways and what we propose to do. I will give that to you now.

Mr. **Yates**. All right.

Mr. **Peterson**. I will give you also a little statement.

Mr. **Yates**. Thank you. We will be glad to read those.

In view of the fact you have given those to us, let me give something to you. "The Forest Service has made some progress in developing a system of reports"—I assume that is what you gave us—"that will begin to identify the cost of the timber sale program. However, given the objectives of the accounting system contained in the conference report, we don't believe such an approach will adequately respond to the congressional oversight needs."

Now, that is a GAO conclusion. You say you are meeting with them?

Mr. **Peterson**. Yes. I do not——

Mr. **Yates**. I think maybe we had better have them give you a copy of this—here is a copy, right here. Just as you handed me those two documents, I will hand you one. Fair exchange.

Mr. **Peterson**. Thank you very much. Yes, sir.

Mr. **Yates**. I don't know where we are going with these.

Mr. **Peterson**. We have had some very good meetings with GAO, and GAO recognizes that when you are dealing with multipurpose land management, it is not easy to separate costs.

Mr. **Yates**. How long have we been talking about it, Chief? We have been talking about it seven years, haven't we?

Mr. **Peterson**. I think maybe six, but it has been close enough.

Mr. **Yates**. It seems longer than that, doesn't it? It seems forever. You know, I just have a feeling we are not getting anywhere, and I think that is to the advantage of the Forest Service. Isn't it?

Mr. **Peterson**. No, I think we have made substantial progress.

TIMBER SALE COST ACCOUNTING

Mr. **Yates**. Tell us what progress we have made so that we can point to it. You know, the press and our constituents get a hold of this and say, "Why don't you do something about Forest Service costs?" In almost every region except Region 6, maybe Region 5, maybe one other, the cost of doing business by the Forest Service exceeds the amount of revenue they take in.

Mr. **Peterson**. That may be true in one particular year if you don't amortize any investment cost, but it is not true if you look at the long policy.

Mr. **Yates**. How long a policy?

Mr. **Peterson**. If you look at a 20-year timeframe.

Mr. **Yates**. Starting what year, so I can look at the 20-year period?

Mr. **Peterson**. Start today.

Mr. **Yates**. Where are we going to be at 20 years—where will you and I be in 20 years?

Mr. **Peterson**. I hope we are still around.

Mr. **Yates**. You are likely to be. I have doubts about myself. You are just a kid.

Mr. **Peterson**. Thank you. Yes, I think we have made quite a bit of progress. One of the things we recognize in looking at the cost is——

Mr. **Yates**. Suppose we were to take 20 years ago and wind up at this point, what will we have learned?

Mr. **Peterson**. We would not have solved all the problems, because Otto Eckstein, who was at Harvard University when I was there 30 years ago, or about, did the preliminary work. He did the preliminary work on multipurpose water resources, the problem of allocating costs on multipurpose water resource projects, and his conclusion was you cannot allocate costs by individual purposes. You cannot allocate costs by individual purpose because a lot of your costs are joint costs.

Mr. **Yates**. That is what you have been telling us for years, these are joint costs, and not individual costs.

Mr. **Peterson**. And I can't change it.

Mr. **Yates**. No, because you talk about land management.

Mr. **Peterson**. That is right. For example, if you take this area on your wall here——

Mr. **Yates**. Why do you have to take in all the costs of land management if we are talking only about cutting and about dealing in the same way as any of the big timber companies?

Mr. **Peterson**. If you look at the big timber companies, they consider their costs over time also.

Mr. **Yates**. Yes, but they don't consider the question of joint costs. I am talking about operating the forests as big companies would.

Mr. **Peterson**. If you are a major company, you don't keep your roads open for public use, you don't do specific things on timber sales in order to disperse for harvest or wildlife purposes, you don't look for protection of cultural resources, you don't spend money on a timber sale to improve the wildlife habitat, and so on. We incur lots of costs on a national forest because we are doing things as a part of an overall management program on a national forest. We could sell timber a whole lot cheaper if we were not doing those things.

Mr. **Yates**. Doesn't Weyerhauser? At least in its TV commercials, it talks about how beautiful the birds are on its forest and how it protects the wildlife and how it is cleaning up the environment. So it has the same joint costs you do.

Mr. **Peterson**. No, they do not. No, they have some recreation, but it is—the recreation is a spinoff of their others. It is not part of their deliberate plan to distribute harvest and all these things to benefit. We wouldn't expect them to.

Mr. **Yates**. I must say that, after reading through the GAO report conclusions, they sound just as confused as we are about the whole cost system. I don't know how they are ultimately going to deal with the costs of the Forest Service, but we still have to depend on them for their——

Mr. **Peterson**. We will read their report and discuss it with them, and will also give them a copy of our report. We will give you the benefit of anything that comes out of that discussion.

Mr. **Yates**. All right.

Mr. **Peterson**. Mr. Chairman, we would appreciate and welcome an opportunity to spend maybe a couple hours with you sometime, the committee, to give you an in-depth presentation of what was done——

Mr. **Yates**. That might be helpful, assuming we had a dozen accountants over here to help.

Mr. **Peterson** [continuing]. And go through in some detail the information we are developing and how we plan to use that.

Mr. **Yates**. All right. We will allot that.

Mr. **Peterson**. We would be happy to do that.

Mr. **Yates**. I thought I knew where I was going with that.

REDUCING TIMBER SALE COSTS

Let's see what staff says about this subject. The Forest Service has issued a report entitled "The Analysis of Cost and Revenues in the Timber Program of Four National Forests." This analysis found a number of opportunities for cutting costs and raising revenues that could be accomplished within the authority and discretion of the Forest Service.

Examples are reducing sale sizes, increased use of simplified procedures, such as lump sum sales, better economic screening of sales to eliminate those that are uneconomical and likely to go unsold, examining silvicultural regimes to avoid committing to products with weak or uncertain markets, et cetera.

Okay, do you have any plans to address these kinds of changes in the timber sales program?

Mr. PETERSON. Yes. In fact, that is our own study that we did. We formed a team. If you look, we have already provided that study to the field. They are in the process of making some of those changes. Let me point out that some of these things we can do and still provide adequate protection for other resources. But we have to be careful as we do some of these things that we keep in mind all the other purposes of the forest.

For example, as you increase the size of a harvest area, you increase the economics of it, it is more economical. But, as you increase the size of it, you also increase visual impact and you may also be more detrimental to some kinds of wildlife. So that is—a lot of cost we incur on timber is because we are doing things specifically for other purposes.

Mr. YATES. Like protecting the spotted owl?

Mr. PETERSON. Yes, sir. That is one of the increased costs of doing business.

Mr. YATES. All right, we will give you that as one of the costs of doing business. We will give you your cost of recreation, we will give you these other costs. But you still don't make any money, do you?

Mr. PETERSON. Yes.

Mr. YATES. Even with all these additional costs you make money from your sales of timber?

Mr. PETERSON. Yes.

Mr. YATES. Where outside of Regions 6 and 5?

Mr. PETERSON. If you look at the Forest Service's total, even using all the costs, on about 80 percent of the volume we sell per year, we make money. Only about 20 percent of the volume is in this questionable category. If you give us these costs you are talking about, then we will make money on about 90 percent of the volume, and the other 10 percent will probably—will have insect infestation or disease problems in other regions.

Mr. YATES. You know what might help us? Gramm-Rudman might help us come to a decision on this. It may cut out recreation, taking care of wildlife, it may cut out about three or four other programs, so you are down to the most elemental costs of doing business.

Mr. PETERSON. I hope not.

Mr. YATES. Then talk to OMB.

Mr. PETERSON. One of the things I think is fully hard to evaluate——

Mr. YATES. Let me say first, I hope not, too. I think that is a necessary part of your function.

Mr. PETERSON. I do, too.

Mr. YATES. But the fact remains we don't know how much we are going to be squeezed by.

Mr. PETERSON. One of the things about multipurpose management is, multipurpose management is an efficient way to manage land for many purposes. We provide two-and-a-half times as much recreation as the Park Service at one-fifth the cost.

Mr. YATES. Why is that?

Mr. PETERSON. Because we carry other costs. Some of our costs are carried against timber, carried against wildlife and so on. They are not all carried against recreation. Your fixed costs are carried by some other things. Our road system, we have in the national forest is largely built for other purposes. In the park, you have to build that out of Park Service funds that goes against recreation.

The same thing, if you look at the national forests, the national forests are the leading wildlife and fish areas of the United States, and they are managed at a fraction of the cost that would be required if they were managed on a single-purpose basis.

So it is very efficient to have a multipurpose operation where you look at all the costs and all the benefits. It is a very efficient operation. It is also very complicated. It is not easy to sort out the costs.

Mr. **Yates**. Are you telling us our approach is wrong, we ought not to look at the actual cost of the harvest, of the sales and of the harvesting——

Mr. **Peterson**. I am saying a simple comparison of the——

Mr. **Yates** [continuing]. As in individual use.

Mr. **Peterson** [continuing]. Is a problem.

Mr. **Yates**. Okay.

Mr. **Regula**. Will the chairman yield?

Mr. **Yates**. Of course, I will yield. We are glad to have you back.

Mr. **Regula**. I think that is a good point, because just from visiting the national forest, you can see this tremendous multipurpose, yet I understand in doing a cost accounting approach, we charge road costs totally to timber sales when, in fact, perhaps over a period of time the major part of the usage is the recreational user. I don't know how you can split that out.

Mr. **Yates**. That is what the Chief has been talking about for six or seven years. We have studies from various people, from the Library of Congress and other people, that tell us these costs still should be taken into consideration in the actual production of the lumber, itself.

Mr. **Regula**. They are saying 100 percent of the cost for a road should be apportioned to timber sales?

Mr. **Yates**. I think——

Mr. **Regula**. I don't think that is fair in terms of a realistic cost accounting.

Mr. **Yates**. Maybe a substantial portion of the roads are for timber sales and not for recreation.

Mr. **Regula**. I suspect where there is a road, there aren't many of them not used for recreation.

Mr. **Yates**. Is that true? Have you ever done a study to see how many roads are for the purpose of cutting timber and not for other purposes?

Mr. **Peterson**. Very few of our roads are used only for timber harvest. They are used either for fire wood—for people who want to cut fire wood. Even if we closed the road after a timber harvest, it is used as a trail, it is used for salvaging insect infested trees that might occur on that area. Very few of our roads are just for timber sales.

Mr. **Regula**. That is my understanding.

Mr. **Peterson**. I think the Congressional Research Service in the study itself, said there is no attempt made to allocate these costs. It didn't draw conclusions, it merely presented information we needed to analyze further, which we are doing.

Mr. Yates. I am sorry I broke in on you, Ralph. You were asking a question.

Mr. Regula. I saw areas in Colorado where they tried to fence them off and the people went around the fence. I think they have a real struggle keeping roads from being used by people with RVs and all sorts of things. I don't know how you ever really split this off, because when you build a road to harvest a given forest, that is going to get used eventually for recreation, even though that was not the intent.

RECREATION FEES

I wanted to ask a question, since we are on the subject. As the Chief pointed out, the Forest Service has 2.5 times the visitor days in the forests as in the National Parks, and we ought to address the problem of fees so there can be more of a self-sustaining effort made. I noticed in some of your areas, you don't have enough people to police them. They have got a box there; if the person wants to put a dollar in, fine. If they don't, there is not much that can be done about it.

Mr. Peterson. I think that most recreationists that I have talked to at least, and that includes some of the major groups, indicate they would be willing to pay a reasonable fee under two conditions: Number one, that it went back to the area to be used—or went back not necessarily to that specific area, but went back to provide additional recreation or operation and maintenance of the facilities. Second, if we could figure out a way to collect it that wouldn't be a big hassle. Those are the two things that have to be resolved in order to, I think, make fees acceptable to people.

Mr. Regula. I would assume you would have real problems in policing a fee system simply because so many of your areas are very small and would not justify full-time individuals; and, secondly, there are so many access points in the forests because of the road system.

Mr. Peterson. We would not expect the national forests to operate a gate system. For one thing, 25 percent of the land inside the national forests as a general average is privately owned, so trying to operate a gate system would involve 24 hours a day, seven days a week, with multiple entrances, which would be prohibitive. We would spend more collecting than we got back.

What we are going to have to do, I think, is select heavily-used areas. There are some very, very heavily-used areas where we may already require a permit simply because of use and charge for those specific areas. And probably in the long policy, we ought to get to something like a stamp system or something like that.

For example, in the State of Virginia, on national forest lands in the State of Virginia, there is a stamp, a national forest stamp, that if you hunt in a national forest you pay, I think it is $1, for this national forest stamp. That money is available for wildlife habitat in that forest. In South Carolina, the same thing is being done, and it is a $10 stamp.

Mr. Regula. Both national forests? Why such a disparity?

Mr. Peterson. This is operating under state law. The Sikes Act gave the states authority to do this.

Mr. YATES. Should that be changed?

Mr. PETERSON. No. I think it is working quite well.

In South Carolina, you have the choice of either going to an area where you can pay $10 or an area you might pay less. There is more habitat work done, and more game. Most people pay the extra $10. We have had no complaints. It is a different thing in the West, where those lands have been open forever for recreational hunting.

Mr. REGULA. Westerners just tolerate the rest of us.

Mr. YATES. More so under this administration.

Mr. REGULA. Yes, I think you are right.

Mr. PETERSON. We have legislation that will be out the next two or three weeks addressing a change in the fee structure, and we hope you will support it.

Mr. YATES. I am sure Mr. Regula will.

Mr. REGULA. I would be happy to.

Mr. PETERSON. $52 million in the 1987 budget will come from appropriations of the Land and Water Conservation Fund from past fees.

Mr. YATES. How substantial are the fees you propose?

Mr. PETERSON. We would probably, over time, move from a present collection of about $30 million to up to about $52 million in 1987.

Mr. YATES. That money would go to the Treasury?

Mr. PETERSON. We are proposing in the legislation that comes up that that money come back to the agency to do operational maintenance and servicing of areas, the same thing as the Park Service proposal coming up would do. The same thing.

Mr. YATES. How much do you estimate you will take in?

Mr. PETERSON. About $52 million if this new legislation is adopted.

Mr. YATES. Would new legislation establish the scale of fees or leave it to your judgment?

Mr. PETERSON. We would propose it be left for some local interpretation.

Mr. YATES. What do you mean by that, by local interpretation?

Mr. PETERSON. We would issue regulations that would set forth the process. But, you see, you might have some areas that the amount of additional costs of providing that area and so on might be fairly low, so the fee might only be $1, or something. Another area we might have highly developed facilities, and you might be spending a lot of money and the fee might be higher.

Mr. YATES. When you say you propose it, who would establish the fees? Would it be the Forest Service?

Mr. PETERSON. Yes. Under the Secretary of Agriculture's regulations.

Mr. YATES. What is to prohibit the Secretary of Agriculture trying to get more money for himself? If the fees go into a fund for the Department of Agriculture or the Forest Service and you also establish the fees, why can't you increase them as you wish?

Mr. PETERSON. I think you have to remember that, if you raise the fees to an unreasonable number, people simply wouldn't use the area. So you are like anybody else, you have to establish reasonable fees. People have to assume they are getting their money's worth, or they won't go there. That is one constraint.

The second is that they will be established through a public process. They wouldn't be established unilaterally.

Mr. YATES. Who would be given the privilege of having a meeting with the public and then establishing the fee?

Mr. PETERSON. That would be subject to congressional oversight. It would be subject to all kinds of constraints on what we do in the real world.

Mr. YATES. Had you concluded?

Mr. REGULA. Yes, on that topic. I have some other questions.

Mr. YATES. Do you want to ask them now? I have got a few, if you want to wait a moment and digest that.

Mr. REGULA. All right.

PEST MANAGEMENT

Mr. YATES. Let me ask you about pest management. You have an inquiry from the Senate about what your estimated needs are for pest management, in addition to the budget you have asked for. This indicates that you could use another $15 million. I assume if we were to ask you that question, we would get the same answer. Is that correct?

Mr. PETERSON. Mr. Chairman, this was an estimate made by our forest pest management staff using a crystal ball on what might happen. We don't know, of course, what our needs would be, but this was developed in response to a specific request to provide a best estimate.

Mr. YATES. Have you had enough money to take care of all your needs this year?

Mr. PETERSON. No. We always have to set priorities. For example, we are giving priority to the southern pine beetle right now, because it kills trees, versus defoliators that defoliate trees that might reduce growth, but not kill the trees in one year. We will reduce funding on the budworms and gypsy moths——

Mr. YATES. What happens if you do something like that, does that permit the southern pine beetle and gypsy moth to come back stronger than ever if you are concentrating on eradicating one other disease?

Mr. PETERSON. We are not eradicating, we are trying to control.

Mr. YATES. You don't want to put these insects on the endangered species list?

Mr. PETERSON. We wouldn't mind putting some of them on that list. The southern pine beetle is an endemic insect that has been around for a long time. All we expect to do is reduce the numbers so that we reduce losses.

Mr. YATES. This is true, but that doesn't answer my question. You are concentrating on the southern pine beetles and as a result you don't have enough money to deal with the other insects, the spruce budworm and the gypsy moth. The question I asked you was, as a result of this system, this concentrates in one year on a particular—on control of a particular insect, the other insects are enabled to get stronger both in numbers and in quality so that it becomes harder to control them the following year.

Mr. PETERSON. Well, it could happen. But let me point out that we make a very careful biological analysis of the specific situation. For example, at one place in Idaho, we are, in fact, going to do control work on the spruce budworm because it is a fairly small outbreak. It is true, if you don't do anything with an area, it can build. It doesn't necessarily in all cases, because some of these populations, like gypsy moths——

Mr. YATES. I can understand why you are allocating a certain amount of money to Idaho for the purpose. But what happens if you have that same kind of a situation in Nevada or you have that same kind of situation in Montana? You don't have the money to do it?

Mr. PETERSON. That is correct.

Mr. YATES. They can build up there then, can't they?

Mr. PETERSON. We have——

Mr. YATES. The point I am making, I think, is, is it better husbandry for us to give you more money for dealing with these insects so that they can't build up and in order to get a better control program? Is it wiser for us to allocate more funds for dealing with more of the insect population in a particular year, rather than concentrating on one species?

Mr. PETERSON. We don't concentrate on one.

Mr. YATES. I got the impression that is what you were doing.

Mr. PETERSON. No, we are spending more of our effort on southern pine beetles. We are spending some on the spruce budworm.

Mr. YATES. I would like to think of that as concentrating on one, you can think of it another way.

Mr. PETERSON. Okay. The point you are making is that in some cases, if you don't do control this year, you will be faced with a worse situation next year.

Mr. YATES. That is true.

Mr. PETERSON. In the gypsy moth case, for reasons unknown to us at this point, the gypsy moth population tends to build up and collapse, so we can't really predict what will happen the next year in all cases. We have to use the best judgment of our biologists in the field as to what will happen next year.

Mr. REGULA. It is like grasshoppers.

Mr. YATES. Yes. Or seven-year locusts.

Mr. PETERSON. I think your principal point is if you don't treat some insects or disease, it will be worse next year, that is correct.

Mr. YATES. Are you arguing for more money?

Mr. PETERSON. No.

Mr. YATES. I knew that would be the answer for the record, but, off the record, are you arguing for more money? Is anybody from OMB here?

Mr. PETERSON. Given all of the kinds of places that you can put money in the Forest Service budget, what we tried to do is provide some balance between the amount of money spent on research, the amount of money spent on control. For example, in the gypsy moth case, we are seeking more effective and long-term controls. If we could find a long-term control for the gypsy moth, we wouldn't have to spend all this money on suppression. We have to try to figure out how to parcel money out between these good causes.

Mr. **Yates**. You should put more money in research, shouldn't you? And you didn't. You took it out of research.

Mr. **Peterson**. Well, in research, we put some additional money, for example, in the southern pine beetle research.

Mr. **Yates**. You are concentrating on southern pine beetles.

Mr. **Peterson**. No, we are tilting in that direction.

Mr. **Regula**. Off the record.

[Discussion off the record.]

STATE ROLE IN PEST MANAGEMENT

Mr. **Regula**. The states have forest programs, and my question would be: Are they carrying some portion of the load for insect control inasmuch as obviously in a state where you have state as well as national forests, the problem is for both. Do the states let you carry the load, or do they contribute with their own resources?

Mr. **Peterson**. The states contribute. In fact, we have used a formula originally developed after a dialogue with this committee on different kinds of lands. Proportionally, the Federal Government share is a little higher than private individual versus State money. Now, the proposal in the budget for 1987, of course, is to discontinue the sharing of private land costs with the concept that state and local people will pick up that effort. So there is no cost sharing proposed in the 1987 budget, unless they are closely intermingled where we have to treat them as a separate unit.

Mr. **Regula**. Do you avoid duplication of effort?

Mr. **Peterson**. Yes. We have a cooperative protection and sharing of information and control in the states. We have developed joint environmental impact statements. The statement developed for the gypsy moth was developed with the states and the Animal and Plant Health Inspection Service, who have the responsibility for eradication.

TIMBER SOURCES

Mr. **Regula**. This is an aside, but still relevant to this. What proportion of the board feet used in this Nation are from private sources, how much is Federal, and how much is from state source, taking into account the total consumption in the United States?

Mr. **Peterson**. The total Federal varies between 25 and 35 percent, depending on the year. The private land, including industry and other private, contributes between 50 and 70 percent, depending on the area, and the balance comes from imports.

Now, the imports are very high as it relates to pulp and paper, which is quite high for Canada.

Mr. **Regula**. You didn't mention state sales.

Mr. **Peterson**. State sales are not significant, except in a few states. The State of Washington has a fairly large state base. The State of Wisconsin and the State of Minnesota have substantial state forests. But there is one chart on page 143 in our explanatory notes that gives you a general breakdown of sources.

Mr. **Regula**. Thank you.

BELOW COST TIMBER SALES STUDY

Mr. **Peterson**. Mr. Chairman, what I had been checking on while we were talking is there is a report on the below-cost sale controversy written by Dr. John Krutilla of Resources for the Future that gives, I think, an outside look at this whole question you might find helpful.

Mr. **Yates**. Who is he?

Mr. **Peterson**. John Krutilla I think, is here. He is a long-time economist for Resources for the Future. He, along with Otto Eckstein, did some of the early work on multipurpose water resource economics. He has had many things he has done over time, including being prominently known in The Wilderness Society. He has a different perspective. I think you might enjoy reading this.

Mr. **Yates**. If you are giving this to us, I don't know that we would——

Mr. **Peterson**. I have not read this yet.

Mr. **Yates**. You have not?

Mr. **Peterson**. I have not read it.

Mr. **Yates**. That balances it.

Mr. **Peterson**. I think Dr. Krutilla——

Mr. **Yates**. What about Eckstein's study?

Mr. **Peterson**. He did the water resources work 25 or 30 years ago.

Mr. **Yates**. Below-cost sales controversy after two years and many worries. I like the title, and the subtitle: Forest Economics and Policy Program, Resources for the Future. "It has been approximately two years since Congressman Yates became interested in the practice of selling timber." Only two years ago, Mr. Krutilla? At any rate, I will read them all. Thank you.

REFORESTATION

I understand you and Mr. AuCoin discussed reforestation a little bit yesterday.

Mr. **Peterson**. Yes, we did.

Mr. **Yates**. We had a ten-year program that was supposed to wipe out your backlog of reforestation and the ten-year period ended last year. I take it you have no backlog of reforestation now.

Mr. **Peterson**. We completed, as you remember we said, a feasible backlog.

Mr. **Yates**. Is there more than one backlog, one feasible and one not feasible?

Mr. **Peterson**. There is one area where it was simply not economical to do it without the use of herbicides, and we have an injunction against use of herbicides. There were other areas so inaccessible the cost would be prohibitive.

Mr. **Yates**. Chief, why would you include them in a forest backlog, then, for reforestation? At the start, you cannot include them, can you, for reforestation? You and I were talking about, at least it was the intention of the committee, to reforest areas that could be reforested. If you now say because of insects you couldn't reforest them, or some areas are inaccessible, why then should they be included in your backlog?

To my mind, a backlog assumes you are going to be able to reforest.

Mr. PETERSON. When we made the original backlog compilations, it really wasn't looking and saying "Wouldn't this land grow trees", and "Is it good land for growing trees regardless of economics?" Economics was not a part of the original inventory. Because we didn't know over time—things change over time. At the time we made the inventory, we could also service lands. We have an injunction against the use of herbicides by aerial application.

In a few places, the Congress also established wilderness areas, and we had inventoried the areas for reforestation, so we changed that. That is the reason I am saying we completed that ten-year program, the feasible backlog, last year.

Now, what we will always have is somewhere between 700,000 and one million acres that has been recently harvested, or recent burns, or something else that we are reforesting. The national forests will never be all reforested. You will always have recent harvest areas.

Mr. YATES. How many acres in the national forest area?

Mr. PETERSON. 191 million acres.

Mr. YATES. So if you have a million acres being revolved in a particular year, that is not relatively significant.

Mr. PETERSON. No, it is not. Half of one percent.

Mr. YATES. So that is not a pertinent statistic really. The question I now ask you is, how much of a backlog do you have in reforestation?

Mr. PETERSON. We estimate at the end of this year we will have about 930,000 acres.

Mr. YATES. That is all?

Mr. PETERSON. Yes.

Mr. YATES. You mean our ten-year program was useful?

Mr. PETERSON. Yes, sir. Very useful. It accomplished its intended purpose.

Mr. YATES. Do you have reforestation needs every year?

Mr. PETERSON. We will have some, yes.

Mr. YATES. Do you have money in this budget to accomplish this?

Mr. PETERSON. We have $57 million in this budget in appropriated funds to accomplish reforestation outside of timber harvest areas, and those areas we deposit money for reforestation. We have a total of——

Mr. YATES. Can we tell our constituents that for every tree being cut down another one is being planted?

Mr. PETERSON. We plant more than one for every one cut down, because as trees get older and there are fewer of them, we have fewer trees per acre, so when we harvest there, we plant more trees than we cut. Yes, sir.

Mr. YATES. So our reforestation is in very good shape then.

Mr. PETERSON. I would say yes, it is. There has been a small amount of deferral.

Mr. YATES. Well, your reforestation budget this year is lower than last year's.

Mr. PETERSON. That is right. And that reflects completion——

Mr. YATES. Less need?

Mr. PETERSON. Yes.

Mr. **Yates**. If you had more money, would you use it?

Mr. **Peterson**. I think, Mr. Chairman, that we are essentially doing the acres that make sense this year——

Mr. **Yates**. What acres don't make sense?

Mr. **Peterson**. We are, for example, deferring some timber stand improvements that are investments we can safely defer.

Mr. **Yates**. Why do you respond to my question with a statement respecting timber stand improvement? That does not relate to reforestation.

Mr. **Peterson**. It is in the same budget item.

Mr. **Yates**. I am trying to find out really whether or not we ought to be doing more reforestation than we are doing. You are lower than the previous year, and the previous year was probably lower than the year before that, right?

Mr. **Peterson**. I don't have the numbers before me, but we have been dropping just a little bit as we completed the reforestation backlog, yes.

Mr. **Yates**. You are interested in harvesting the trees, I would think you would want to plant the trees so that future generations can harvest them.

Mr. **Peterson**. We certainly do, Mr. Chairman. We are very interested in reforestation. As a matter of law and policy, we report all areas that are harvested either artificially or naturally.

Let me give you a number on reforestation. We reforested in 1985 about 370,000 acres. The total reforestation we did in 1985, both with deposited funds and appropriated funds, was about 370,000 acres. In 1986, we will do about 346,000 acres. In 1987, we estimate we will do about 334,000 acres. So we are holding fairly constant. We are reducing the appropriated amount of reforestation, but increasing the amount of the deposit funds because the harvest rates are picking up.

Mr. **Yates**. But haven't the fires increased the burden of reforestation? You have had a lot of fires.

Mr. **Peterson**. The first of last year, many of the fires were in brush-covered areas, which we would not reforest. But, yes, fires do increase reforestation needs.

Mr. **Yates**. I was wondering whether that was an existing factor, you had to get money.

Mr. **Peterson**. That is an existing factor. We give priority to replanting burned acres with this appropriated money.

FACILITY MAINTENANCE

Mr. **Regula**. Chief, last year you said you had about $300 million of backlog in maintenance. Would that figure hold for 1987?

Mr. **Peterson**. That is recreation maintenance, I think. Rehabilitation, repair. That is approximately correct, yes.

Mr. **Regula**. I notice you only allocate $14 million in your budget request for this. Won't this result in the buildup of maintenance problems?

Mr. **Peterson**. It will probably result in some increase in that maintenance backlog, yes.

Mr. REGULA. Do you think that you are able to stay even? I recognize probably $300 million would be idealistic, but are you holding even on it, the health and safety problem?

Mr. PETERSON. We are giving priority to health and safety questions, and our guidelines are that if we can't provide safe water, for example, we close a facility until we can do it.

What our area of real buildup and maintenance backlog is, many of our facilities, as you know, many of our facilities are forty years old, and they simply can't be patched together much longer. So on a one-year basis, we sort of limp along, but do increase that backlog over time.

Mr. REGULA. Do you have any priority changes you could make in your budget request to allocate more to maintenance and less to something else? I do think that is a matter that once it goes too far it becomes very unproductive cost-wise.

Mr. PETERSON. I think, Mr. Regula, we are going to have to make a very difficult policy choice within the next couple of years to probably close a substantial number of facilities in order to be able to afford to fix up some, because we can't continue on the course we are on, because our facilities would be too far gone. We will have to make that policy choice.

Mr. REGULA. If money weren't so tight or if you had increased revenues as a result of fees, what would be realistic to, say, play catchup over a period of five or eight years?

Mr. PETERSON. I think in the real world, you would probably want to—if you were going to pick this up, you would want to do it between five and ten years in order to do it in an efficient and orderly way. I would not myself recommend some huge program, because I think it would not be as efficient, would not be done as well as if it were a smaller program.

Mr. REGULA. Given a continued deterioration over that period, I suppose $50 million a year for ten years would be realistic in achieving minimum standards.

Mr. PETERSON. You could bring them up to some reasonable standard, yes.

Mr. REGULA. What do you anticipate if your fee schedule was adopted?

Mr. PETERSON. In the short run, the increased fees would offset those reductions. In other words, $52 million would go to offset a $52 million decrease. We would hope to develop some fees that could be used for rehabilitation and make repairs.

Mr. REGULA. Given the demand, or need I should say, for recreation, it would seem to me not cost effective to close facilities; if anything, you are probably going to have more pressure for recreation opportunities.

Mr. PETERSON. That is one of the reasons we haven't closed them, but have transferred money to fix them up, as you questioned earlier, because we have tried to leave the facilities open to serve the public and not force the public into overcrowded facilities. At some point, we have to make that judgment because some of the facilities are very old.

TONGASS NATIONAL FOREST

Mr. **Regula**. Recent statistics indicate the agency has been offering a great deal more timber from the Tongass National Forest, than has been harvested. Since 1980, you have made available on the average 270 million board feet per year, more than the average industry has used, and plan sales of approximately 270 million board feet more than the industry has harvested. Why have you offered twice as much out of the Tongass than industry has harvested? It doesn't seem to be a good management technique.

Mr. **Peterson**. We are proposing to decrease the sale program this coming year to try to more nearly meet sale offerings to sales that are purchased. I think, as you probably recall, there is a special unique direction for the Tongass that is part of the big Alaska settlement. In other words, in 1980, when Congress passed the act, Congress said, "We want a large wilderness system in Alaska, but we also want to retain the 450 million board foot timber supply in order to keep a viable timber industry in Alaska. We have given specific direction in that legislation to provide a 450 million board foot timber supply in Alaska."

It was recognized it was going to cost more because some of the most productive land and some of the most economic land was put in the wilderness. There was an agreement additional funding would be put into other lands to make them economical. Unfortunately, no one foresaw the great depression in the housing market and associated timber sales right after that.

Mr. **Regula**. You mentioned congressional directive, and yet I am quoting from Mr. Udall's statement on the floor of the House from the record November 12, 1980, and I quote, "No more national forest timber should be supplied than can be sold at fair market value. And the goal of the Forest Service should be to maintain employment, not to maintain an arbitrary cut level through changes in export restrictions or other methods. No more timber should be offered for sale than the Forest Service can reasonably expect to sell."

And this is a debate on the Alaska lands bill. So it would seem to me this would indicate a policy of not preparing more sales than are reasonably expected to be made.

Mr. **Peterson**. The specific language is in the statute, itself, and it is not subject to rescission or all of the other things, not subject to appropriations. It says the Forest Service will make available 4.5 billion feet per decade, 4.5 billion feet per decade in Alaska. Now, what we are doing is, we are going to reduce that amount in 1987, recognizing markets, and then we will probably increase that over time if markets come back.

Mr. **Regula**. Do you think we should consider amending that act to provide you a more flexible management situation?

Mr. **Peterson**. I think if Congress wants to look at amending an Act, they need to look at the entire Act, because it is not—if you are going to look at the economics of Alaska, you have to look at the economics of Alaska.

Mr. **Regula**. Suppose we were to restrict the amount of money that could be spent on the appropriation for preparation of sales up there? You might appear to have an irreconcilable conflict.

Mr. **Peterson**. You would be overriding the specifics of the statute.

Mr. **Regula**. I understand.

Mr. **Yates**. Sometimes the committee does that.

Mr. **Regula**. I just note here in 1982-1985 what the Forest Service law requires you to do, but I have a concern about maintenance, and I think we should look to every possible source of funds to reallocate for that problem.

Mr. **Peterson**. I think if you want to really deal with the question of land, you have to do it within the context you consider all the factors, land designation, economics of Alaska, because a lot of that investment, a lot of the money you are talking about has been spent in investments in reforestation, investments in timber stand improvement and advance roading, so they are not current costs.

Mr. **Yates**. Will you yield for a question?

Mr. **Regula**. Yes.

Mr. **Yates**. From 1983 to 1985, the Forest Service spent $253 million on the Tongass timber program, and yet only recovered $2.9 million in receipts, a return of less than two cents on the dollar.

Mr. **Peterson**. What years are you talking about?

Mr. **Yates**. 1983 to 1985.

Mr. **Peterson**. That cannot be correct.

Mr. **Yates**. Why not?

Mr. **Peterson**. Because we have not spent more than $50 million a year at the most, and that includes investment costs, so in three years we could not have spent $250 million.

Mr. **Yates**. So the most you could have spent was $150 million?

Mr. **Peterson**. Yes.

Mr. **Yates**. All right. Having spent $150 million, what did you recover in receipts?

Mr. **Peterson**. I don't—I can give you a table that shows it over the years. What happened in those years we are talking about—one reason the receipts are low is because of the Timber Sales Modification Act that drove back prices and required refunds to some of the companies. We actually gave back money we got in previous years. So you have to look at probably about a six-year period.

Let me read——

Mr. **Yates**. Take a six-year period instead of just those few years. What were your expenditures and what were your receipts? Which six-year period are you taking?

Mr. **Peterson**. 1979 through 1985. If you look at 1979 through 1985, we apparently took in, in 1979, a total of $13.8 million if you include both direct receipts, deposits, including permanent roads we got as a result of that from the purchaser; if you add all those together, you get $13.8 million in 1979.

1980, $26 million; 1981, $15 million; 1982, $21 million; 1983, $5 million; 1984, $4 million; 1985, only $209,000. During that same period of time, which is six years, we probably spent about $250 million. These totals look like they add up to about, probably $85 or $86 million. Would you like this table? We would be glad to give you this table.

Mr. **Yates**. Yes. Does it show direct receipts?

Mr. **Peterson**. Yes.

Mr. **Yates**. Did you read the figures on direct receipts or the overall totals?

Mr. **Peterson**. I read you some of both. I read you across, in 1979, all of them.

Mr. **Yates**. We will put the figures in the record.

[The information follows:]

Tongass National Forest Receipts

[In thousands of dollars]

Fiscal year:	
1979	13,844
1980	26,024
1981	15,008
1982	21,623
1983	5,366
1984	4,063
1985	209
Total	86,137
Average	12,305

Mr. **Peterson**. Put this in the record, I think it will help you. I read across in 1979 and I read all the totals.

Mr. **Yates**. Thanks, Ralph.

Mr. **Regula**. I will reserve the rest of my questions.

Mr. **Yates**. I am going to stop at this point and submit additional questions for the record. There may be some by Mr. AuCoin and others. There are, according to staff.

We thank you. We will set up the hearing on the accounting system somewhere along the line.

Mr. **Peterson**. Thank you.

[Questions and answers submitted for the record follow:]

ADDITIONAL COMMITTEE QUESTIONS

FOREST SERVICE

1987 BUDGET

1. Question: If the reductions proposed in this budget were agreed to by the Congress, would the Forest Service be able to carry out its responsibilities to manage the land under its care as intended by law?

   Answer: At the proposed funding levels, we will be able to provide a balanced resource management program on the National Forests and grasslands. However, major federal responsibilities outlined in Public Law 95-313, Cooperative Forestry Assistance Act of 1978, will be discontinued.

2. Question: If this proposed level of funding were to continue indefinitely, would the Forest Service be able to meet its responsibilities?

   Answer: Through streamlining of our organization and programs to reduce costs and increase efficiencies to minimize the effects of these reduced budgets, we expect to meet the basic affirmative legal requirements and offer a balance of goods and services consistent with constrained funding.

   Federal responsibilities associated with programs outlined in Public Law 95-313, Cooperative Forestry Assistance Act of 1978, will continue to be unfunded.

RECEIPTS

On page 11, there is a summary of receipts. Actual receipts in the National Forest Fund for fiscal year 1985 were $555,636,000, compared to last year's estimate of $1,085,386,000. The major reason for the decline was the lower level of timber receipts, which were $498,547,000, compared to last year's estimate of $1,027,650,000.

3. Question: What was the reason for the decline in receipts in 1985, compared to your estimates?

   Answer: In the initial estimate of timber receipts for FY 1985, we projected that returns from the initial buy out of returned timber sales of $192.8 million would be included in the 1985 receipts. Once it was apparent that the regulations would be published late, the receipt estimate was lowered by $192.8 million for 1985.

   In the final report of total timber harvest for FY 1985, the value of timber harvested was actually lower than the initial estimate by a substantial amount. The difference in these amounts was due primarily to increased harvesting of lower priced, recently purchased National Forest timber sales. National Forest timber purchasers were trying to remain competitive while trying to determine how much and what type of sales to return under the Federal Timber Contract Payment Modification Act. In addition, the offering of an extensive volume of salvage sales in the Southeastern States due to the Southern Pine Beetle infestation dramatically reduced revenues in that part of the country.

4. Question: Why have you reduced the 1986 estimate of timber receipts from $886,082,000 to $802,548,000?

Answer: The FY 1986 timber values were initially based upon a much higher average unit value than is currently expected. Based upon the FY 1985 actual value of $65.68 per thousand board feet, the 1986 estimate of receipts was revised from $886,082,000 to $835,800,000 to account for a lower average value.

Also, the actual value of the buyout timber sales was again estimated to be lower because about 1.1 BBF less volume was returned than originally estimated. The actual buyout receipts in 1986 will be closer to $159,548,000 than the initial estimate for 1986 of $192,800,000. All of the receipts from the buyout sales will not be realized in 1986, because some purchasers have elected to pay off their obligations over a period of five years.

5. Question: What is the basis for the further decline in estimated timber receipts in 1987, to $715,700,000, since you are projecting the same timber harvest level as in FY 1986 (11.2 BBF)?

Answer: The major difference in the estimated total receipts for FY 1987 as compared to FY 1986 is the net amount of buy back values included in the 1986 amount. The 1986 receipts have an estimated $159,548,000 included. There is only $3 million per year for the next 5 years included in the estimated receipts for those buyout receipts that are to be paid off over a period of 1987 to 1991 years. There is about $70,000,000 increase estimated between the 1986 receipts without the buy back values (802,548,000 - 159,548,000) of $643,000,000 and the net value of $712,700,000 (715,700,000 - 3,000,000) for 1987, due to an increase in the value of timber harvested.

SAVINGS

On page 10, the budget notes that as a result of several studies, the Forest Service has identified a number of cost saving actions which have been consolidated into a "Bias for Action" approach now being implemented. These savings are reflected in the 1987 request.

6. Question: Can you summarize the types of cost saving actions you are now implementing?

Answer: Cost saving actions are tied to the management improvement initiatives we have undertaken, including those cost savings related to Deficit Control Act reductions. These activities include: installation of national distributive data processing; national systems management reviews which resulted in FTE reductions, consolidation of administrative support organizations, colocation of offices, elimination of selected offices, organization redesign, shared services, streamlined operations, and advanced technology. The distribution of dollar savings by activity is shown in question 8 and 9.

7. Question: Over what timeframe are these actions expected to continue?

Answer: Activities will occur over a five-year period, from 1985-1989.

8. Question: What are the ultimate expected savings?

Answer:

Activity	1985-1989 Ultimate Savings (Millions)
Administrative Support	$39.4
Planning Costs	6.0
Productivity:	
Reforestation	8.8 (depends on use of herbicides)
Timber Sale Procedures	13.5
Wood Residue	7.5
Timber Sale Volume	3.1
Information Management	9.0
Total	$87.3

9. Question: Provide a breakdown showing how these savings are reflected in your 1987 budget request.

Answer: Our 1987 budget request reflected the following decreases:

Item	1987 Savings (Millions)
Administrative Support	$5.20
Planning Costs	3.30
Productivity:	
Reforestation	.83
Timber Sale Procedures	7.30
Wood Residue	2.57
Timber Sale Volume	2.40
Information Management	3.10
Total	$24.70

COMMISSION ON AMERICAN OUTDOORS

10. Question: Are any funds included for the President's Commission on Americans Outdoors? If so, how much and from what source?

Answer: We will continue to provide the President's Commission on Americans Outdoors Forest Service employees' time and travel while involved in Commission work, and other in-kind services. We are not requesting funds to be given directly to the Commission.

FOREST RESEARCH

(P. 13.) The request for forest research is $111,481,000, a reduction of $14,044,000 from the 1986 appropriation, and $8,646,000 from the 1986 adjusted level. Seven research work units and four research laboratories (Fairbanks, AK; University Park, PA; Parsons, WV; and Sewanee, TN) would be closed.

11. Question: For each of these RWU's and labs, what is the proposed reduction in dollars and FTE?

Answer: The proposed reduction in Forest Research funding from the FY 1986 Continuing Resolution to the FY 1987 Budget, and the associated FTE reductions are:

Proposed Unit	Reductions Funding ($1,000)	Reductions FTE
RWU terminations		
1. Fairbanks, AK	$ 731	11
2. Gainesville, FL	109	2
3. Sewanee, TN	252	5
4. Parsons, WV	161	3
5. University Park, PA	152	3
6. St. Paul, MN	61	2
7. Athens, GA	306	6
Location closures		
1. Fairbanks, AK	731	11
2. University Park, PA	152	3
3. Parsons, WV	260	11
4. Sewanee, TN	252	5

In the cases of Fairbanks, AK; University Park, PA; and Sewanee, TN; there is only one RWU at the location that is proposed for closure. At Parsons, WV, the RWU termination is about half of the research funding reduction that is proposed in the laboratory closure.

Last year, a program was initiated on tropical forestry in Latin America and the Caribbean.

12. Question: What has been accomplished to date on this effort?

Answer: In FY 1986, of the $718,000 appropriated for tropical forestry in Latin America and the Caribbean, $239,000 was appropriated at the Forest Products Laboratory in Madison, WI, and $479,000 for the Institute of Tropical Forestry in Puerto Rico.

In Madison, work was initiated on a comprehensive almanac on tropical woods for all of Latin America. This almanac will include state-of-the-art technology and opportunities to improve the use of natural and plantation grown tropical species. Also, contacts are being reestablished with people involved in forest products laboratories and industries using tropical species.

At the Institute of Tropical Forestry, we are monitoring water changes on subtropical rivers on the islands of Dominica, St. Lucia, and St. Vincent; studying the Puerto Rican parrot by radio telemetry; initiating studies on natural stand management. We completed several silvex writeups on tropical species. A watershed research, a wildlife biologist, and a cooperating plant physiologist from Venezuela, have been hired.

13. Question: How much will be available to continue this effort in FY 1987? What exactly will be accomplished with these funds?

Answer: In spite of budgetary restrictions in FY 1987, $650,000 has been requested to continue the effort in tropical forestry. The $150,000 requested for the Forest Products Laboratory in Madison will be used to continue the work on the almanac and to formulate technology transfer plans and demonstration projects for technology such as solar drying, truss-frame housing, and boron wood preservation.

The $500,000 at the Institute of Tropical Forestry will be used to expand work on the Puerto Rican parrot by studying the parrot during the nonbreeding season, to monitor water on newly harvested areas of the Luquillo Experiment Forest, to publish a tropical nursery guide, and to expand research in dry tropical forests.

The request for atmospheric deposition research is $8,505,000, a reduction of $2,733,000 from the 1986 level.

14. Question: How much funding has EPA provided to date in 1986? What is the total you are expecting for the year? Have you experienced any delays in the transfer of funds this year, as happened last year?

Answer: To date in 1986, no money has been been made available to the Forest Service from EPA under the Interagency Agreement for the Forest Response Research Program. However, not all EPA funds in this program are planned to be managed by the FS. Therefore, EPA is using some of their appropriation to directly manage parts of the Forest Response Research Program.

We are expecting EPA to contribute about $8,400,000 to the Forest Response Research Program in 1986. Of this total, up to $6,000,000 might be transferred through an Interagency Agreement to the Forest Service. We expect FS and EPA managers to reach agreement soon on operating plans, so funds can be transferred during the 1986 field season.

15. Question: How much are you expecting EPA to transfer in FY 1987?

Answer: In 1987, we expect EPA to have available about the same amount as in 1986--that is, about $8,400,000. We do not know what portion of this total might be transferred to the FS.

Also as a result of the proposed reduction, no new areas of research investigation will be funded in the areas of watershed influences and effect on specific ecosystems.

16. Question: Aren't there new areas that could be initiated if funds were available?

Answer: We believe the proposed program represents an adequate mix of studies that makes efficient use of current Forest Service expertise in atmospheric deposition research.

As the current research on watersheds and forest ecosystems yields results, we continually discover new areas of potentially useful, but lower priority, research on atmospheric deposition and terrestrial ecosystems.

17. Question: Other than budgetary reasons, are there other reasons why these areas should not be pursued as quickly as possible?

Answer: Such research should be conducted as soon as adequate scientific knowledge is available to design the appropriate studies and adequate funding is available to implement the studies. Within the overall budget level, we have designed the proposed atmospheric deposition research program to give an appropriate mix of types of studies and geographic distribution.

18. Question: What levels of funding could be used to undertake such new research in FY 1987?

Answer: We believe the proposed funding level is appropriate for the current mix of studies that should be undertaken by scientists at this time until existing research provides better information on which to plan further research.

19. Question: Provide a breakdown showing how the planned atmospheric deposition research program in 1986 and 1987 will be divided among geographical areas.

Answer: Following is an estimated geographic breakdown based on actual project allocations and estimated distributions from the Forest Research Cooperatives and the National Vegetation Survey.

	1986	1987
Northeast (including Lake States, Midwest, and New England)	$ 4,805	$ 4,110
South and Southeast	4,655	3,309
West (including Rocky Mountains, Pacific Northwest, and California)	1,295	1,086
Total	$10,755	$ 8,505

In February, the Society of American Foresters Tree Genetics and Improvement Working Group wrote to the Forest Service to express their concern over the decisions to reduce most and terminate some of the FS forest genetics research and development programs.

20. Question: How much funding for this type of research is included in the FY 1987 request? How does this compare with 1986?

    Answer: In FY 1987, $3,715,000 is requested for genetics research compared with $3,664,000 in FY 1986.

21. Question: What specific lines of research will be terminated?

    Answer: Several recently-initiated studies on southern pine flowering will be ended. The Research Work Unit responsible for this work--SE-4107, Genetic Improvement of Longleaf and Slash Pine--at Gainesville, Florida, will be terminated at the same time.

22. Question: What is the rationale for terminating and reducing this research at this time?

    Answer: Since the studies were of lower priority and we have not invested much time and effort in them yet, the impact of terminating this research is minimal. More important genetics research on southern pines is continuing elsewhere.

(P. 33.) The request for forest inventory and analysis is $14,222,000, a decrease of $2,827,000.

23. Question: What is the impact of slowing down the average reinventory cycle from 10 years to 12 years?

    Answer: The impact of slowing down the reinventory cycle will defer the completion date of inventories now on the way and forthcoming. By delaying reinventories, public and private managers will have less current information available to manage the resource. However, existing inventory data still will provide a basis for some resource decisions.

24. Question: What would be the benefit of maintaining the 10 year cycle?

    Answer: Because the Nation's timberlands are dynamic systems affected by growth, harvesting, weather, natural mortality, and as yet, the unknown effects of atmospheric deposition, forest statistics from any one point in time become less useful as years pass since the measurements were made. Accurate and timely raw material inventories make more effective resource planning possible for both government and industry.

25. Question: Is the research on remote sensing applications in the forest inventory complete? If not, what use will be made of it if it is terminated as proposed?

    Answer: We are proposing to terminate techniques research in remote sensing at the Rocky Mountain Station only. We will continue to conduct remote sensing research and evaluations at the Southern and Pacific Northwest Stations where more promising tests are currently in progress.

(P. 43.) The request for watershed management and rehabilitation research is $14,858,000, a decrease of $659,000. Included is a proposal to close the laboratory at University Park, PA.

26. Question: In addition to atmospheric deposition and municipal watersheds, what other research is currently being pursued at this facility?

    Answer: In addition to the atmospheric deposition and municipal watershed research carried on at University Park, up to one scientist year is devoted to developing information on the use of trees and forests to reduce energy needs and abate noise, primarily in the urban environment.

27. Question: What is the rationale for terminating this research, and for closing the laboratory?

    Answer:

    Atmospheric Deposition and Municipal Watershed Research

    Some of the important questions have been answered, or other institutions have begun to work on them--in this case, Pennsylvania State University, the State University of New York, Delaware State College, Rutgers, the University of Connecticut, and the Pennsylvania Department of Environmental Resources. The work by other institutions is additional to other Forest Service research that contributes to understanding basic hydrologic processes and the impacts of atmospheric deposition and land use practices.

    This research is now conducted in New Hampshire, Kentucky, and North Carolina, with additional atmospheric deposition data being collected by a network of National Atmospheric Deposition Program stations including Pennsylvania State University, Warren, and Milford in Pennsylvania. The new watershed unit to be formed in Morgantown, WV (in Forest Service-owned space) will continue the higher priority research of University Park, PA.

    Energy Needs and Noise Abatement

    The national level of concern and support for research aimed at this area has decreased.

    Laboratory Closure

    The space rented from Pennsylvania State has been generally adequate, but we are always looking for opportunities to reduce costs and to use more funds directly in the research problem. Occupying already paid for space in the Morgantown Forest Service building, where we will continue the high priority Pennsylvania work, will help reduce costs.

    The Forest Service still maintains a presence in Pennsylvania. We maintain a laboratory in Warren, PA; a large regional headquarters in Broomall, PA; Grey Towers National Historic Site in Milford, PA; and the headquarters of the Allegheny National Forest in Warren, PA.

28. Question: If closed, what disposition will be made of the facility?

Answer: We will cancel the lease for the 3 rooms we rent in the Academics Projects Building. We occupy about 10 percent of the space in that building.

(P. 49.) The request for forest recreation research is $2,077,000, a decrease of $64,000.

29. Question: Describe what is involved in the river recreation studies that have been conducted in St. Paul, and are now being moved to Chicago. Why is the move proposed?

Answer: River recreation studies address three major topics: (1) determining patterns of river recreation use and user characteristics, (2) assessing how river users define recreation experiences, and (3) developing methods to modify and redistribute river recreation use to prevent overcrowding, resource deterioration, and poor quality experiences. Responsibility for these and other river recreation studies will be transferred to Chicago, and the studies will be continued from there.

Both the river recreation research program (now in St. Paul) and the urban forest recreation program (now in Chicago) will be strengthened by combining the complementary professional skills of the scientists now at two locations. The combination of the Units in Chicago will also be more efficient from a budgetary and managerial standpoint.

The river recreation program can be effectively conducted from Chicago. The research has a nationwide mission, and involves a variety of university and public agency cooperators across the country. It is not essential that the research be headquartered in St. Paul. We plan to continue to have a strong river recreation research program from Chicago.

30. Question: Where do the actual studies take place? Will you be able to conduct the same program from Chicago? If not, how will it differ?

Answer: The North Central Forest Experiment Station has a nationwide mission for river recreation research. Therefore, study locations are not restricted to the seven northcentral States primarily served by the Station. Currently, studies are underway or being completed in Pennsylvania, New York, New Jersey, West Virginia, Colorado, Texas, Missouri, Minnesota, and Wisconsin. The program, at a slightly reduced level, can be conducted from Chicago.

(P. 53.) There is no request for competitive grants, which was funded at $6,799,000 in FY 1986.

31. Question: What is the status of the FY 1986 program?

Answer: A proposed rule and proposed solicitation for the 1986 program has been published in the Federal Register, in accordance with the administrative provisions required by the Code of Federal Regulations. The final rule and solicitation are expected to be published before the end of April. The areas of emphasis for the 1986 program, which are given in the proposed solicitation, are not expected to change, so scientists can use the proposed solicitation for preparing their proposals. The deadline for submission of proposals is June 2. This program is administered by the USDA Ofice of Competitive Grants.

32. Question: How many requests, for what amount of funding, were received for the FY 1985 program?

Answer: We received 476 proposals in 1985 with a funding request of $124.1 million.

33. Question: What benefits do you see from having such a grants program? If not for budgetary reasons, would you recommend continuing the program?

Answer: The FS research program cannot carry out all aspects of forestry research. This grants program supplements our on-going program. Forest Service research benefits from this grants program in several ways:

1. When our scientists submit a successful proposal, the additional funding can be used to speed-up their FS research projects;

2. By cooperating with outside researchers who have submitted successful proposals to get needed research results, additional research can be initiated and;

3. By the grants supporting research in areas where we are not presently involved, a broader research base can be established.

The USDA Competitive Research Grants program is a valuable adjunct to the established in-house FS research program, but we cannot support it at the expense of our proven research program. The grants funded by the FY 1985 Competitive Grants program will continue to support research for 3-5 years, and the FY 1986 grants will contribute to this activity.

34. Question: Would the program be effective at a lower level, such as $3 to 4,000,000?

Answer: The program would be effective at a level of $3-4 million.

35. Question: (P. 59.) Why is the average GS grade for reimbursables shown as 12.79 ($38,959) this year, when it was 7.3 and $17,974 last year?

Answer: The average grade calculations in the 1987 Budget Appendix are correct. The average grade in 1986 was inadvertently calculated using total personnel costs rather than the costs for full-time permanent employees.

STATE AND PRIVATE FORESTRY

(P. 61.) The request for State and private forestry is $24,871,000, a decrease of $32,767,000 from 1986 appropriated and $30,289,000 from 1986 adjusted.

36. Question: Under cooperative lands, insect and disease suppression, the 1985 accomplishments differ significantly from those reported last year for 1984: 864,000 acres treated versus 698,000; 2.9 million cubic feet of timber protected versus 489 million; and 73 million feet of infested timber removed, versus 14 million. Please explain these differences.

Answer: In FY 1985, the 2.9 million cubic feet reported should have been 2.9 billion cubic feet of timber volume protected. Additionally, in FY 1985, the 73 million feet should have been 73 million cubic feet of timber removed.

In FY 1984, 14 million feet should have been 14 million cubic feet of timber removed.

The increases in accomplishments in FY 1985 versus FY 1984 can be primarily attributed to the current outbreak of southern pine beetle in the South. The outbreaks were significantly higher than the past year resulting in more treatment which increased the volume of timber protected and salvaged.

(P. 77.) No funds are included for forest management and utilization, including the seedlings, nursery and tree improvement program.

37. Question: Given the statement in the justification that demand for seedlings is expected to more than double during the next five years due to the Conservation Reserve, what is the impact of losing this program?

Answer: The Forest Service provides technical assistance for nurseries under the Conservation Reserve through its State and Private Cooperative Forestry Program. The Conservation Reserve Program is going to place additional demands on State and private nurseries. If seedling demand doubles during the next five years due to the Conservation Reserve, the forest nursery industry, particularly in the Southeastern states, will have an opportunity to significantly increase sales and profits. State nurseries that charge for seedlings will be in a better position to recoup their costs. This is consistent with language in both House and Senate reports on the 1985 Farm Bill, which emphasized the use of private vendors in carrying out the conservation reserve. To date, signups have not been at such a rate that existing nursery capacity is a limiting factor.

38. Question: What funds will be used to provide technical assistance to State, private, and industry nurseries to insure that enough seedlings are produced and distributed where needed?

Answer: No funds are included in the President's Budget to provide technical assistance for seedling production and distribution.

(P. 89.) $2,800,000 is requested for the Boundary Waters Canoe Area, a decrease of $182,000.

39. Question: Why are you decreasing further the amount of this grant? Isn't the full grant amount assumed to be $3,000,000 in the law?

Answer: Efforts to reduce the budget deficit have resulted in the proposed elimination of several State and private forestry programs and significant reductions for remaining programs. For FY 1987, the proposed decrease of $182,000 from the 1986 appropriated and $54,000 from the 1986 adjusted reflects a similar reduction for the BWCA program. Financial assistance is assumed to be $3,000,000 less the Deficit Control Act reduction for planning purposes, but the annual appropriation has varied from year to year.

No funds are requested for the Pinchot Institute or for Lake Tahoe erosion projects.

40. Question: How much is required for scheduled maintenance at the Pinchot Institute?

Answer: The following is a breakdown of the cost:

Curatorial Program - Management and care of existing museum collection, research activity, and management of the Pinchot Gallery.	$ 6,000
Horticultural Program - Continuation of the garden restoration project in the vicinity of the mansion.	6,000
Routine Maintenance - Painting, mechanical, electrical, plumbing repairs, masonry and roofing repairs, mowing, fertilizing, pruning, snow plowing, site cleanup, trash disposal, etc.	50,000
Major Maintenance:	
Replace barn roof	8,000
Complete gate house repairs	2,000
Update fire alarm system	4,500
Rehabilitate garden structures	7,000
Repave road and parking area	45,000
Sanitary facilities and water for maintenance shop	8,000
Barn repair	5,000
Total	$141,500

41. Question: What additional amount would be required to continue tours and environmental education programs?

Answer: To continue tours and environmental education programs in FY 1987, an additional amount of $63,000 will be needed. The following is a breakdown of this amount:

Interpretive Program - Tours of the home and grounds for approximately 12,000 visitors primarily from the Pennsylvania/New York/New Jersey area.	$24,000
Pinchot Institute for Conservation Studies - For conservation activity in support of the "Conservation Excellence" mission at Grey Towers in the area of issue analysis and resolution.	25,000
Operations Management - Conference coordination and visual services for on-site activities.	14,000
Total	$63,000

42. Question: What is the backlog of erosion and water pollution control projects that could be continued in FY 1987 at Lake Tahoe?

Answer: About 10 erosion and water pollution control projects on non-Federal lands, within the Lake Tahoe Basin, could be continued in FY 1987. These deferred projects are located within the City of South Lake Tahoe and the Counties of El Dorado and Placer in California and Douglas and Washoe in Nevada. Receipt of appropriated funds could allow for continued progress toward attaining planned carrying capacities in the basin.

43. Question: (P. 98.) The average GS salary shown for reimbursable has increased about $7,000 over last year's display. Please explain.

Answer: The average grade calculations in the 1987 Budget Appendix are correct. The average grade in 1986 was inadvertently calculated using total personnel costs rather than the costs for full-time permanent employees.

NATIONAL FOREST SYSTEM

MINERALS

(P. 108.) The request for minerals area management is $26,025,000, a decrease of $2,316,000 from the 1986 appropriation and $1,097,000 from 1986 adjusted. According to the justification, the inventory of unprocessed cases has increased from 2,805 in 1984 to 3,533 in 1985; and is expected to increase further to 5,000-7,000 in 1987.

44. Question: How much of this increase is due to the increase in lands where the FS is precluded from taking action, particularly wilderness areas?

Answer: The increased inventory of unprocessed cases is expected to result primarily from unprocessed cases in non-wilderness areas. Of the total inventory of 5,000 to 7,000 unprocessed cases in FY 1987, about 1,200 are likely to be in areas where the FS is precluded from taking action.

45. Question: Leaving aside such cases, what is the impact of the increasing inventory?

Answer: The impact of the increasing inventory is expected to be minimal. We believe this level of inventory is reasonable given the uncertainties associated with predicting the minerals workload, past workload levels, the effect of accounting definition changes beginning in FY 1986, and the fact that some work-in-process will always exist. Further, recent changes in the world oil market suggest the estimated inventory will probably be closer to 5,000 cases than to 7,000 cases due to exploration activity in the United States being lower than previously anticipated.

46. Question: What is the basis for the estimate of increased returns to the Treasury in 1987 ($168 million, up from an estimate of $155 million in 1986)?

Answer: The estimated returns to the Treasury for FY 1987 were based on projected mineral production levels and commodity prices. The recent significant changes in the world oil market were not anticipated and are not incorporated in the estimated $168 million returns. While we expect the real price of oil to increase over the longer term, the near-term price weakness will have a significant effect on mineral receipts in FY 1987. Assuming the average price per barrel of oil in FY 1987 is between $15 and $18, total mineral receipts would be approximately $113 million, rather than the previously estimated $168 million.

47. Question: What specifically is the rationale for the decreases proposed in the leasable and locatable minerals activities?

Answer: The decreases proposed in the leasable and locatable minerals program are tied to the estimates of somewhat lower accomplishments in each program. These estimates are based on expectations of the level of minerals activity and needs for resource coordination and protection of surface resources.

48. Question: What is the status of the appeal regarding leasing in the Flathead and Gallatin NF's in Montana?

Answer: The case involving leasing in the Flathead and Gallatin National Forests in Montana is still under appeal in the 9th District.

You are proposing to increase common variety minerals by $457,000 or 20 percent.

49. Question: Is this increase related to the timber program?

Answer: The proposed increase is not related to the timber program.

50. Question: What is the expected increase in unit costs?

Answer: An estimated 3,523 cases will be accomplished with the proposed $2,708,000 program. The cost per case is $769. The program planned for FY 1986 adjusted totaled $2,154,000 to accomplish 3,352 cases. The planned FY 1986 program unit cost is $642 per case. The increased cost per case is $127.

51. Question: What is the basis for this increase?

Answer: The increased costs are the result of efforts to improve overall management of the mineral materials resources and to emphasize adherence to health and safety standards. The proposed program provides for needed resource planning to ensure effective and efficient development of the resource.

The request for the geology activity is $1,442,000, a decrease of $1,042,000 or almost 50 percent.

52. Question: What other specific decreased activities is this proposed decrease tied to?

Answer: The proposed decrease is primarily related to decreased activities in timber sale preparation and road construction due to the turnback program. There is also some decrease in inventory data on ground water and landslides in support of planning.

53. Question: Since no other activities are decreasing to this extent (50 percent), what is the basis for the magnitude of this decrease?

Answer: Additionally, the proposed decrease is the result of efforts to focus on completing work that is high priority based on the relative risk to the safety, efficiency, and economy of engineering projects. Completion of some geology work activities with relatively lower priority and lower associated risks will be deferred.

54. Question: What is the likely impact on the protection of surface resources during minerals and engineering projects, if this decrease is agreed to?

Answer: Somewhat greater resource risks are being assumed by deferring or not doing certain work. These risks are associated with the potential for a loss of soil productivity, increased sediment in streams, and increased road maintenance costs. Work will be targeted to those areas where there is an identified high risk of landslides. Assessment of new areas will be deferred.

REAL ESTATE MANAGEMENT

(P. 115.) The request for real estate management is $19,845,000, a decrease of $999,000 from 1986 and $103,000 from 1986 adjusted.

Under land classification, status, and planning, there is a decrease of $532,000. Only 733 title claim cases will be completed, compared to 4,295 cases in FY 1986.

55. Question: Explain why there is such a large drop in cases to be completed, compared to the funding decrease.

Answer: The cases include a wide variety of tasks ranging from complex title claims to simple land status entries in the records. All are considered "cases". Most of the decrease will be in the status entry category. Withdrawal reviews and title claims will be at approximately the same level as in FY 1986.

56. Question: What is the impact of this decrease in activity?

Answer: The primary impact is a slowing of the process of converting status records to an automated system. Also, action on the backlog of encroachment cases will be slowed.

Under special uses, the justification indicates that review of hydroelectric development proposals and administration of licensed projects are funded from benefiting funds and activities.

57. Question: How many such projects have there been in the last two years?

Answer: There were 1,170 hydroelectric projects and proposals in FY 1984 and 1,044 in FY 1985. An estimated 1,000 projects are expected in FY 1986.

58. Question: What have the costs associated with review and administration of these projects been?

Answer: The total cost for review and administration of hydroelectric projects was approximately $2,981,000 in 1984 and $2,725,000 in 1985. Estimated costs are $2.5 million for FY 1986.

59. Question: Provide a breakdown of the programs which have paid these costs.

Answer: The tables which follow give 1984 and 1985 costs. The categories are:

1. Operating licensed projects
2. Operating exempted projects
3. Licensed under construction or awaiting construction.
4. Exempted projects that have been issued a Forest Service special-use permit that are under or awaiting construction
5. Projects with a filed application for license
6. Projects with a filed application for exemption
7. Projects with a filed or issued application for preliminary permit
8. Other projects under study without an application of any kind to Federal Energy Regulatory Commission (FERC)
9. Other projects of any category with indirect effects on NFS.

The appropriation/budget activities are:

1. MIN - Minerals area management
2. LAND - Real estate management
3. FIRE - Forest fire protection
4. TBR - Timber sale administration and management
5. REC - Recreation use
6. WL - Wildlife and fish habitat management
7. RGE - Range management
8. SOIL - Soil, water, and air management (watersheds)
9. FAC - Construction of facilities
10. RDS - Road construction
11. TOTAL APP - Total appropriated to fund FERC projects.
12. COOP - Funds paid by developers to help the Forest Service meet the developers time schedule.

Number of Hydroelectric Projects and Their Costs
Fiscal Year 1985
Summary

Category	Number of Projects	Appropriation/Budget Activity (Dollars in thousands)											
		MIN	LAND	FIRE	TBR	REC	WL	RGE	SOIL	FAC	RDS	TOTAL APP.	COOP
1. Operating licensed projects	195	1	50	10	0	74	3	0	109	15	0	262	19
2. Operating exempted projects	59	0	27	10	0	36	1	0	56	7	0	137	2
3. Licensed under or awaiting construction	23	2	33	8	51	65	127	0	31	17	4	338	190
4. Exempted under or awaiting construction	40	4	73	10	51	53	35	0	83	12	0	321	5
5. Application for license	121	5	52	0	65	80	121	0	123	20	4	470	12
6. Application for exemption	45	2	56	3	38	62	34	0	96	4	0	295	5
7. Preliminary permits	429	4	92	2	55	39	83	3	120	10	1	409	14
8. Pre-application projects	62	1	39	2	16	28	24	3	26	5	1	145	18
9. Indirect effects	70	5	29	0	0	3	8	1	31	0	1	78	5
Total	1,044	24	451	45	276	440	436	7	675	90	11	2,455	270

GRAND TOTAL: $2,725,000

Number of Hydroelectric Projects and Their Costs
Fiscal Year 1984
Summary

Category	Number of Projects	Appropriation/Budget Activity (Dollars in thousands)											
		MIN	LAND	FIRE	TBR	REC	WL	RGE	SOIL	FAC	RDS	TOTAL APP.	COOP
1. Operating licensed projects	193	1	52	10	0	62	10	0	83	14	0	232	26
2. Operating exempted projects	48	1	21	10	0	31	1	0	53	17	0	134	2
3. Licensed under or awaiting construction	14	1	29	8	45	46	56	2	97	17	2	303	40
4. Exempted under or awaiting construction	28	2	26	10	45	51	86	1	87	17	0	325	6
5. Application for license	56	4	32	0	65	78	104	0	122	10	2	417	14
6. Application for exemption	65	0	84	3	55	61	126	0	209	5	0	543	6
7. Preliminary permits	562	8	109	2	59	52	48	4	274	10	3	569	16
8. Pre-application projects	104	0	39	0	16	27	24	5	69	6	1	187	16
9. Indirect effects	100	3	55	0	0	2	16	0	62	0	0	138	7
Total	1,170	20	447	43	285	410	471	12	1,056	96	8	2,848	133

GRAND TOTAL: $2,981,000

60. Question: Does the developer contribute to these costs? On what basis? Would it be possible to recoup more of these costs from the developer?

Answer: Yes, license applicants and licensees do contribute to the funding of study and administration of hydroelectric projects on National Forest lands. In FY 1984, developers contributed $133,000 and $270,000 in FY 1985. This was done under voluntary collection agreements where funds were deposited for use by the Forest Service in advance for work being done. These funds were used to conduct reviews on an accelerated time schedule to meet the requirements of the developers.

The Federal Power Act provides for recovery of costs in processing applications for some types of projects. Historically only the costs of Federal Energy Regulatory Commission (FERC) have been recovered. Last year the FERC requested information on our costs, but we are unable to provide an accounting of the costs that meets their requirements. The costs of developing a new accounting system and gathering the information in the required format do not appear to be cost effective, relative to the costs that we could recover.

We are developing regulations that will implement the cost recovery provisions of Federal Land Policy and Management Act (FLPMA). These regulations will allow the recovery of some of the costs associated with hydropower projects on a more cost effective basis. We expect to have these regulations out in draft by the end of FY 1986.

61. Question: How will you be able to increase the number of permits administered (in total) in this program from 18,110 last year to 29,020 in FY 1987, with a decrease in funding?

Answer: Most of the permits require some degree of administration each year, especially when inspections and administration have been deferred from previous years. In FY 1987 we plan to catch up on some of the inspection and administration work in the most efficient and cost effective way that we can. We can do this by giving more emphasis to the administration of existing permits and by requiring applicants for new special uses to provide the necessary studies and information that we need to complete the NEPA process on their applications. In summary, less money will be spent on processing applications thus allowing the requested funds to be spent on administration of permits.

The Gramm-Rudman addendum to the budget (p. 23) mentions a revised fee policy which is not discussed in the 1987 notes.

62. Question: What is this proposed revised policy? What will be its impact?

Answer: The Forest Service and the Bureau of Land Management are proposing to revise the methods for calculating fees for linear rights-of-way by developing a national fee schedule that is based on a percent of land value for specific market areas. The rental values, which will be used by both agencies, would be adjusted annually to reflect changes in rental rates that are being paid in the private market.

The two agencies have published two notices in the Federal Register regarding the proposed change. We have been meeting with representatives from oil and gas pipeline companies and electrical utilities to discuss these proposals. We expect to publish a third Federal Register Notice later this year for review and comment.

The proposed fee system will result in fees that approximate the fee level determined under the current policy of charging rental fees based on 5 percent of land value. However, the fees will be more uniform within a geographical area and they can be easily applied to the various special use authorities for rights-of-way. The new method better reflects the conditions of Forest Service easements and permits as related to the prices paid for rights-of-way on non-Federal lands.

The fees charged for many of the rights-of-way on National Forest System lands are not currently based on fair market value as required by the Federal Land Policy and Management Act and the Mineral Leasing Act. Rather the fees for some permits are based on a minimum schedule of $2 per acre or $10 per mile. There will be very little change in the fees for those permits that have fees based upon current appraisals. On the other hand, permits that have not had fee adjustments in the last 20 to 30 years will have fee increases up to 150 percent.

These increased fees would also occur if we determined the fees under current procedures and policy. However, because of the proposed right-of-way fee schedule the Forest Service will be able to equitably adjust all of the fees. The number of fees that can be adjusted using the current fee method is limited because of the expense of individual appraisals. To reduce the impact, we are proposing to phase in large fee increases over a 3 year period.

63. Question: What is the authorization for the policy revision?

Answer: Both the Federal Land Policy and Management Act and the Mineral Leasing Act require that we charge land rental fees based on fair market value.

LAND LINE LOCATION

(P. 125.) The request for land line location is $23,011,000, a decrease of $5,575,000.

64. Question: Why does this decrease of $5.5 million result in a decrease of only 668 miles from last year, while last year you proposed a decrease of $1.2 million which would have resulted in over 2,000 fewer miles accomplished?

Answer: The 1986 Explanatory Notes included a decrease of $1,211,000 and 2,602 miles from 1985 to 1986. The 1985 target included a large amount of lower cost land line maintenance miles, which were not in 1986, thus distorting the comparison.

In the 1987 Notes, the 1985 accomplishment included land line location, not land line maintenance. The comparison between 1986 and 1987 estimated miles included only land line location.

65. Question: Are any funds included at the budget request level for land line maintenance? How much, and how does this compare to 1986?

Answer: Approximately 7 percent of the total funding is for land line maintenance. This is approximately the same proportion as FY 1986. Land line maintenance miles are not included in the land line location targets.

66. Question: How much of an increase would be required to maintain the non-timber portion of this program (1,160 miles) at last year's level (1,844)?

Answer: About $3.4 million would be needed to survey the additional 684 miles. However, this part of the program represents a postponable investment opportunity, and can be reduced without causing any immediate problems.

FOREST FIRE PROTECTION

(P. 127.) The request for forest fire protection is $147,225,000, a decrease of $11,015,000 from 1986 appropriated, and $4,211,000 from 1986 adjusted.

67. Question: How specifically will the decrease for fire presuppression (-$2,249,000) be taken among the program elements?

Answer: The difference is a decrease of $2,249,000 from the 1986 appropriated and an increase of $3,950,000 from the 1986 adjusted. The differences by program element are:

	1986 CR	1986 Adjusted	1987	Difference from CR	Difference from Adjusted
Prevention	$ 24,786,000	$ 23,720,000	$ 26,787,000	+2,001,000	+3,067,000
Detection	7,250,000	6,938,000	7,650,000	+400,000	+712,000
Attack	83,263,000	79,684,000	80,884,000	-2,379,000	+1,200,000
Aviation	28,880,000	27,638,000	26,609,000	-2,271,000	-1,029,000
Total	$144,179,000	$ 137,980,000	$141,930,000	-2,249,000	+3,950,000

68. Question: How many airtankers will you have in 1987? At what cost?

Answer: Approximately 30 airtankers are planned for 1987 at an estimated cost of approximately $4 million, based on a national fire management analysis system study of current national airtanker needs. However, these numbers may be subject to some adjustment in the contracting process currently underway that will cover airtanker procurement for the FY 1987-89 period.

The bulk of the decrease is in fuels management (-$8,766,000).

69. Question: Explain why this activity is less effective economically than the other program elements at reduced program levels, such as those proposed.

Answer: Fuels management is a longer-term program that will, over time, significantly reduce the intensity of wildfires, improving the ability of forces to control them at smaller size with less cost and resource damage. However, under a constrained budget, priority must be given to maintaining an operational suppression capability that can deal effectively with the expected current fire workload over the entire National Forest System. Since fuel treatment investments in any given year will improve the protection capability only in the local areas in which they are made, the fuels program must of necessity have a generally lower priority in the short term under a budget such at that proposed for FY 1987.

70. Question: What is the impact, both short and long term, of a fuels management program at the proposed level?

Answer: The specific impact of reducing the fuels program for a single year is difficult to assess, since it will depend upon the location and timing of specific future fires. Over time, however, a lowered level of fuel treatment investments will result in higher annual suppression costs and resource losses. The planned fuels program is an essential component of the efficient fire program and budget identified in the national fire management analysis. Fuels investment reduces future suppression costs and resource losses by an amount exceeding the investment.

COOPERATIVE LAW ENFORCEMENT

(P. 136.) The request for cooperative law enforcement is $2,450,000, a decrease of $4,509,000 from 1986 and $4,210,000 from 1986 adjusted.

71. Question: Do you know where the balance of $450,000 will be used for other law enforcement activities in remote areas? How many jurisdictions will be involved in this part of the program?

Answer: To provide the most cost effective program, we will provide monetary relief to local law enforcement agencies where exceptional demands are made due to activities on National Forest System lands. In a few cases, such as the Red Fish Lake in Custer County in the Sawtooth National Recreation Area in Idaho, we would fund the cooperative agreements for the year. We do not have an estimate at this time on the total number of cooperative agreements or jurisdictions that are involved.

(P. 137.) The request for forest road maintenance is $49,270,000, a decrease of $15,377,000 from 1986 appropriated and $12,597,000 from 1986 adjusted. The proposed budget level will result in 102,000 miles being closed, compared to 65,000 in 1985.

72. Question: How many miles do you anticipate will be closed to all traffic during FY 1986?

Answer: We anticipate that approximately 58,000 miles will be closed to all motor vehicle travel in FY 1986. Most will remain available for foot, horse, and in some cases, off-road vehicle travel.

73. Question: Is this increase in miles to be closed proposed only for budgetary reasons, or are there other reasons, such as protection of the resource?

Answer: The mileage figures used in the justification statement on page 140 represent our estimate of how the transportation system should be managed and maintained as a result of the proposed FY 1987 President's budget. Reaching this level of management, however, will require some time to implement since a closure and enforcement program cannot be accomplished immediately. Instead, roads will deterioriate over time and we will close roads as they become unusable or begin to create resource damage. Actually, effects of the FY 1987 budget proposal will not be readily apparent for several years.

The following Regional summaries reflect the situation as we expect it to occur in FY 1987:

	Closed To All Vehicles		High Clearance Only		Useable With Passenger Cars	
Regions	Miles	%	Miles	%	Miles	%
R-1	6,849	17.8	20,027	51.9	11,698	30.3
R-2	9,216	28.4	13,345	41.1	9,924	30.5
R-3	1,515	3.2	33,910	72.4	11,425	24.4
R-4	11,691	35.3	12,959	39.2	8,435	25.5
R-5	6,720	15.5	21,508	49.6	15,163	34.9
R-6	9,529	11.2	53,251	62.9	21,917	25.9
R-8	4,339	15.0	16,370	56.7	8,160	28.3
R-9	11,439	39.3	10,755	36.9	6,929	23.8
R-10	698	30.1	929	40.1	691	29.8
Total	61,996	18.3	183,054	53.9	94,342	27.8

74. Question: How many of the miles to be closed are roads built within the past five years?

Answer: We do not have supporting data of road closures by age of facility, however, we anticipate that some newly built roads constructed during the past 5 years will be closed. Generally, they will be closed for specific management reasons as explained in our answer to the previous question. This will be particularly true of new local roads constructed for timber sales. Very few roads constructed during the past 5 years will be closed due to the lack of maintenance because they will not have deteriorated to the point where that becomes necessary.

75. Question: What kind of analysis is done when a road is being considered for construction to reach a timber sale or series of sales, as to how long the road will be in service before closure and whether the proposed life of the road makes the initial investment worthwhile?

Answer: During the planning process for a timber sale, or series of sales, the needed transportation system is also laid out. This system is planned to serve the entire area that is logically tributary to all roads in that part of the system, and considers all uses that are expected to take place in accordance with the direction in the forest plan.

It is during this planning process that decisions are made concerning the service life of the road and the techniques to be employed for operating the facility, including closure, to meet the management direction contained in the forest plan. An economic analysis to determine the most cost-effective combination of road design standards and operation techniques is an integral part of this planning effort. Construction, maintenance, and user costs, where appropriate, are all considered in the economic analysis.

76. Question: How will such roads be treated in your proposed accounting system?

Answer: These roads will continue to be considered as an asset in the accounting system through their expected amortization period. Closure does not result in total obliteration and removal from the system, since it can be reopened and used again when needed.

77. Question: What are the anticipated impacts of increasing the number of miles to be closed?

Answer: We do not expect any unusual impacts from the closure of roads that result from management decisions in the forest plan. Closures for these reasons are usually the result of considerable public involvement and support, and benefit other resource programs.

Closures that result from deterioration due to the lack of maintenance, may inconvenience the public. We do not, however, anticipate disruption of the normal uses of the National Forests.

78. Question: What is included in the $7,243,000 reduction in "Other contractual services"?

Answer: All contractual services not included in the other Object Classes shown on page 140 of our justification statement are included in this item. For the road maintenance program, the most significant item is maintenance work that is performed through formal contracts, or by cooperators where the Forest Service pays the cooperator for our commensurate share of the total maintenance responsibility. Equipment repair is another substantial item included in this figure.

TRAIL MAINTENANCE

(P. 141.) The request for forest trail maintenance is $8,365,000, a decrease of $1,603,000 and $1,174,000 from 1986 adjusted.

79. Question: What is the impact of maintaining 11,500 miles less than in FY 1986?

Answer: About 47 percent of the trail system will be maintained to standard. On below standard trails, trail use will be restricted or precluded by such natural conditions as logs across the trail, brush that has grown into the trail from the sides, or rocks that have rolled onto the trail.

80. Question: What is the backlog of deferred maintenance? How much will be added to it if the 1987 funding level is agreed to?

Answer: We estimate our total trail rehabilitation needs are around $100,000,000 (see question 250) and that $15,000,000 of that total is needed for deferred maintenance. We are not able to accurately estimate the way the backlog of construction/reconstruction and deferred maintenance will grow with current budget requests because the relationships between these backlog items are directly responsive to the vagaries of nature. We can say that the most important factor in this equation is time. The longer maintenance is deferred, the more likely it is to become a construction/reconstruction need.

81. Question: What is the estimate of the amount that would be required to meet the increased costs of trail maintenance in the expanded wilderness system? How much of this is included in your request?

Answer: In FY 1987, $3,300,000 is planned for trail maintenance in wilderness. We have not identified our total trail needs by wilderness and non-wilderness categories.

TIMBER SALES

(P. 143.) The request for the timber sales administration and management program is $171,092,000, a decrease of $10,453,000 from the appropriation and $2,647,000 from 1986 adjusted.

According to the Report, the average bid for timber in 1985 was about $52 per thousand, compared to $66 in 1984 and $70 in 1983.

82. Question: How do you explain this rather significant decrease?

Answer: As indicated at the top of page 17 of the report, the decrease is attributable to high inventory carryover, competition from imported Canadian lumber, higher cash down payments, and uncertainty as to the final outcome of the Federal Timber Contract Payment Modification Act of 1984 (FTCPMA).

83. Question: Based on sales to date, what is the average bid received in FY 1986?

Answer: Bid rates are increasing to approximately $60 per thousand. Indications are that the decreasing interest rates and increasing housing starts will bring the average bid price into the $70 per thousand range by the end of the fiscal year.

The cost to prepare and administer timber sales, per thousand board feet, did not increase between 1984 and 1985.

84. Question: What has been your experience to date in 1986?

Answer: The estimated costs to prepare and offer timber sales for FY 1986 are sufficient to perform the tasks necessary to carry out the proposed 10.9 BBF timber sales program. The funds are not sufficient to carry out this same level of sales in future years. About 600 million board feet of timber sales were funded to be prepared and offered for sale only in FY 1986.

The sale administration funding for FY 1986 was reduced by $4.3 million from the Administration's request. This means that not all of the necessary tasks will be performed to full standards. With a larger number of new sales under contract each year, the reduced funding will allow fewer timber inspectors less time on each sale that is operated. Their ability to provide sufficient surveillance for possible waste, fraud, and abuse will be further limited.

85. Question: What is your assumption of cost per thousand board feet in the 1987 budget, and how does it compare to 1986 and 1985?

Answer: The average cost per thousand board feet in FY 1987, excluding the Tongass National Forest, is estimated to be $17.82 per thousand board feet. The volume estimated to be prepared and offered is 10.025 BBF, including 424 million board feet from the Tongass National Forest and 2.6 BBF of reoffer volume.

Excluding the Tongass National Forest, the FY 1987 sale preparation and administration costs of $17.82 per thousand board feet compares with the FY 1986 figure of $16.55 per thousand board feet for 10.5 BBF, of which 3.250 was reoffer volume. The FY 1985 unit costs were $17.62 per thousand board feet, and had no reoffer volume.

The report says applications for timber to be bought out under the Timber Contract Modification Act totaled 9.73 billion board feet.

86. Question: Have there been any problems with receiving payments due under the act in connection with the timber returned? If so, how much is involved, and what is being done about it?

Answer: As of March 31, 1986, $154.6 million in cash payments has been received. About $15 million in repayments will be paid through 5 year low interest loans. Several individuals have had trouble obtaining valid loans. We are working with each individual.

87. Question: When will you report the costs associated with this returned timber to the Congress?

Answer: It is virtually impossible to provide the level of detailed information requested. The Forest Service can provide regional data on volumes and values returned, buyout costs to purchasers, and the estimated value of re-sold volume. We will report this information in the Annual Report of the Forest Service. The Federal Timber Contract Payment Modification Act never established an intent to monitor or track reoffer costs.

88. Question: What is the basis for the mix assumed in the 1987 program (6.615 new sales, 2.6 reoffer, and .810 salvage sales)? Would it be possible to increase the amount of reoffer sales?

Answer: The mix of 6.615 BBF of new sales, 2.6 BBF of reoffer sales, and .810 BBF of salvage sales was based upon the amount of funding in the budget level, the amount of manpower that would be available, and the amount of reoffer sales that could be prepared.

The amount of reoffer that can be prepared and offered in addition to the 2.6 BBF already estimated would depend entirely upon the amount of lead time. If we have sufficient time during this year's field season to complete the necessary field examination, then additional volume can be offered in FY 1987. We estimate that an additional 400 million board feet can be accomplished if sufficient funding is provided. The Forests can increase the amount of reoffer if the increase is provided before the end of this year's field season, October 31, 1986.

89. Question: Are the .810 in salvage sales all to be funded from the Timber Salvage Sale fund? At what cost?

Answer: The total salvage sale program is estimated at 1.9 billion board feet and is composed of 1.1 BBF from appropriated funds and 0.81 BBF (42 percent) from Timber Salvage Sale funds. The cost for this 0.8 BBF is estimated at $20.7 million or a decrease of $3.3 million from the FY 1987 base.

90. Question: Could additional salvage sales be offered in FY 1987 from the Timber Salvage Sale fund? How much, and at what cost?

Answer: The number of timber salvage sales has been increasing as much as the amount of collections from previous years will allow. We estimate that about 190 million board feet of additional timber salvage sales can be prepared and offered in FY 1987 with an increase of $6,068,000.

91. Question: What was the amount of shelf volume available as of the end of FY 1985? How much do you intend to add to this volume during FY 1986?

Answer: Shelf volume at the end of FY 1985 was 968 million board feet. Due to the revolving nature of shelf volume, we do not intend to add or subtract from this amount during FY 1986.

92. Question: How much would it be possible to offer as part of the 1987 program? At what additional cost?

Answer: Since shelf volume is constantly being offered and replaced, it is not included in our total sales program. If needed, the total 968 million board feet can be offered at an additional cost of approximately 10 percent of our normal sale preparation cost. This would amount to approximately $1.06 per MBF or $1.03 million in total.

93. Question: What timber sales program are you assuming for the outyears, by region?

Answer: The outyear sell program for each region is as follows:

Region 1	965 MMBF
Region 2	400 MMBF
Region 3	400 MMBF
Region 4	307 MMBF
Region 5	1,485 MMBF
Region 6	4,190 MMBF
Region 8	1,161 MMBF
Region 9	683 MMBF
Region 10	434 MMBF
Total	10,025 MMBF

The request for timber resource inventory planning is $13,280,000, an increase of $736,000.

94. Question: Since you are shifting from plan preparation to maintenance and update, it would seem overall costs would decrease, even if unit costs go up. Please explain more explicitly why this increase is needed?

Answer: The planning and update of forest timber resource plans involves a continuous process of resource photography, stand mapping, and gathering inventory data. The increased cost is due largely to increased difficulty of surveying due to terrain and access to the National Forests to be inventoried.

The request for silvicultural examination is $20,870,000, an increase of $425,000.

95. Question: Why is this increase needed to maintain a future years' program of 10.0 BBF, since that level is down from prior year's programs?

Answer: Inventory and silvicultural examinations are typically accomplished on a compartment basis to determine overall treatment needs for a given area. The areas necessary to maintain this level of program have been previously entered and have less volume available than those in past years. In order to maintain the future sell program more acres must be examined.

96. Question: Why is the use of contractors in this program increasing? Is it more or less expensive?

Answer: Forest Service personnel reductions and an emphasis on private sector contracting have made the use of contractors quite viable for this purpose. Increased competition for these contracts has shown a reduced cost per acre through this procedure. Forest Service personnel are still required to administer these contracts; however, it takes significantly less time than accomplishing the entire job would.

ROAD CONSTRUCTION

On page 150, you show Forest Service road construction costs of $143,817,000 in 1986, compared with $161,185,000 in 1986, a reduction of $17,368,000.

97. Question: How does this relate to the breakdown of the forest road program on page 236, which reflects the reduction in the road program of $9,720,000? Which elements are included in the $143,817,000?

Answer: Prior to 1987 (1986 and before) transportation planning and environmental coordination costs were attributed to the resource program (timber, recreation, wildlife, range, etc.) which generated the required planning. In 1987, a change in policy was made. All transportation planning and environmental coordination costs were attributed to the road programs, based on the assumption that road construction benefits all resource programs. This, in turn, reduced the direct timber program costs by approximately $8.4 million.

	Total Forest Road Program	Direct Timber Related	Timber Related % of Total
FY 1986	$188,205,000	$161,185,000	85.6
FY 1987	$178,485,000	$143,817,000	80.6

If we were to attribute the $8.4 million transportation planning and coordination cost directly to the timber program in 1987, the percent of FRP for timber would be approximately the same.

	Total Forest Road Program	Direct Timber Related	Timber Related % of Total
FY 1987	$178.485,000	$152,217,000	85.3

The following chart shows the distribution of the timber related forest road program funds ($143,817,000) within the forest road program fund breakdown on page 236 of the Explanatory Notes.

	President's Budget FY 1987 FRP - Total	President's Budget FY 1987 FRP - Timber
FRP Engineering		
Planning and Management	$ 30,603,000	$ 25,782,000
Preconstruction Engineering	39,269,000	39,269,000
Construction Engineering	20,892,000	20,892,000
Subtotal	90,764,000	85,943,000
Augmentation, PCP, PEP roads	4,341,000	4,341,000
Forest Roads and Bridges		
Planning and Management	23,618,000	1,538,000
Preconstruction Engineering	8,404,000	8,020,000
Construction Engineering	5,849,000	5,190,000
Construction	25,405,000	23,373,000
Reconstruction	20,104,000	15,412,000
Subtotal	83,380,000	53,533,000
TOTAL	$ 178,485,000	$ 143,817,000

TRANSACTION EVIDENCE

On pages 153 and 154, the justification discusses special timber sale program initiatives.

98. Question: What will be the basis for deciding whether to implement expansion of the transaction evidence analysis process? When do you expect to submit your report to the Appropriations Committees for review?

Answer: Transaction Evidence Appraisals (TEA) will be expanded as they prove themselves to be better estimators of market value than the appraisal processes they replace. One acceptance criterion, identified by the National Appraisals Working Group, Office of the Inspector General, and others, is bid premium minimization. (Bid premium is the difference between the appraised rate and the successful bid rate.) Other criteria include purchaser acceptance, cost effectiveness, and accountability.

The report to the Appropriations Committees on Transaction Evidence Appraisals (TEA) was submitted during the week of April 21.

99. Question: What specific direction has been given to the regions with regard to development of a program to increase use of tree measurement sales? When do you expect such a program to be implemented?

Answer: Direction has been given to minimize the cost of our sales programs while maintaining our overall management objectives. Tree measurement sales sometimes provide a way to minimize sale costs. Rather than develop a national program to institute tree measurement sales and run the risk of escalating costs by forcing their use when they are impractical, we encourage our people to seek cost effective ways to manage our forests.

Tree measurement sales have been used regularly in the Northeast and Southeast for some time. A productivity improvement team examined tree measurement sales in 1984. Results have been rewarding. For example, the Northern and Pacific Northwest Regions use tree measurement sales in their sales program when it provides a least cost alternative. Tree measurement sales account for as much as 180 million board feet of timber per year from one forest in the Pacific Northwest. Some 74 million board feet of tree measurement sales were sold in the Northern Region in 1985. In essence, our program is already implemented.

TIMBER SALES COST ACCOUNTING

The Forest Service has also issued a report entitled "Analysis of Costs and Revenues in the Timber Program of Four National Forests". This analysis found a number of opportunities for cutting costs and raising revenues that could be accomplished within the authority and discretion of the Forest Service.

100. Question: Do you plan to address any of the policy issues raised in the report, particularly the use of higher and more broadly applied minimum rates; and the need to define nationally how to balance cash flow and other objectives of forest management in doing project and program evaluations?

Answer: We are now actively considering all of the policy issues raised by the report. With respect to minimum rates, the Forest Service expects to deliver a report on minimum rates to Congress. The comments on balancing cash flow with other objectives raises the question of whether existing policy is sufficiently clear to guide field units in daily operations and planning. The report of four forests has been forwarded to the Regional Foresters in each region for implementation, and the first progress report on implementation is due in June of this year. Their responses will indicate any clarification or extension of Forest Service policies needed in order to implement any of the recommendations of the report.

101. Question: How do you plan to address the lack of analysis which the report cites as a major underlying problem for management of the sales program at the forest level?

Answer: We intend to address the lack of analysis cited in the report in the manner that the report recommends: by devoting continued management attention to the various initiatives that the Forest Service has already begun to improve operational efficiency and by emphasizing the continuing need for greater efficiency when conducting management reviews of field operations and planning. The progress reports by the Regional Foresters, cited above, may indicate additional steps to be taken by the Washington Office.

102. Question: What specifically do you intend to do to see that the economic analysis required by law and the FS Manual is carried out in all instances?

Answer: There is continuing progress in this area. Some regions have already issued, and the remaining Regions will soon issue, specific direction on the required procedures for economic analysis of timber sales. In addition, nationwide implementation of the new timber sales planning computer system, GATES, which is currently underway, will clarify for the field units the timing and the scope of the economic analysis that is required. Reporting and recordkeeping aspects of the GATES system will help management identify situations in which field units need additional guidance to ensure compliance with regulations.

103. Question: If the major recommendations from the report were implemented in FY 1987, do you have any estimate of the savings that could be expected? If not, would it be possible to develop such estimates?

Answer: We have no estimates of savings beyond those included in the report. To develop additional estimates would require that the same kind of analysis done for the report be carried out on each individual National Forest. This would require about 1/2 person year of effort per forest. For purposes of administration, there are 122 National Forest units.

The report mentions a specific problem with regard to the accounting system, which is "the recurring tendency to use the accounting system to report expenditures on an "as planned" rather than an "as worked" basis." (p. 1-6). This is one of the concerns that GAO raises in its review of the FS's proposed Timber Sale Program Information Reporting System.

104. Question: Why did you choose to develop this information system, which is dependent on existing accounting systems, rather than develop a new cost accounting system which would accurately capture actual costs of the program?

Answer: The Forest Service considered a number of alternatives to meet the objectives of the conference report (H.R. Rep 98-1159) as it related to the system. One of the alternatives was to develop a completely new system. However, most of the detailed accounting elements needed in such a system were already in our existing accounting or budgeting systems. Consequently, we chose to develop a system that would pull the accounting elements needed from existing systems and modify the existing systems if necessary.

105. Question: Do you agree with GAO that the existing accounting system, which will be the basis for your proposed information system, distributes many costs on an estimated rather than actual basis?

Answer: No, we do not agree. The Forest Service currently uses a multi-account management code or budget activity for direct project work only when the project is legally financed with more than one appropriation or budget activity. (A management code functions similar to an account number, enabling us to design and track projects.) As actual costs are charged to the management code, the computer charges proportional shares to each accounting line. The proportioned shares are supported by a sound basis, such as unit, project or personal work plans, historical workload factors, or in some cases, daily diaries. Adjustments are required when reprogramming or other significant work load factors occur such as increased/reduced programs from final actions by Congress on annual appropriations, which can be as late as four to six months into a fiscal year.

Even though we believe the use of multi-lined management codes is a valid, efficient, and cost-effective procedure, we have agreed to significantly decrease the use of multi-line management codes for direct project work beginning in FY 1987, because of the concerns expressed by the GAO, the Inspector General, and this committee. We believe this will eliminate the expressed concern of GAO in their report. Please note that the use of multi-accounts is limited to program support rather than direct project personnel. Even though we are taking remedial actions as noted, we do not think that the effect of multi-line management codes on timber sale costs is significant.

106. Question: How can these data be characterized as accurate cost data?

Answer: The Forest Service has a very elaborate accounting system. The basis for our system is a "management code" which, for direct charges, is tied to a project work plan. This plan defines all the work to be done for a particular project, like a timber sale or group of timber sales. When an employee works on the project, his time, travel costs, supplies, and other miscellaneous items are charged to the management code(s) given to that project work plan. One of the primary rules of the Forest Service is to account for time spent on projects as actual work, i.e. accrual accounting, instead of accounting for time spent on projects when the project is completed and/or receipts are received.

GAO also states that some costs will be excluded, such as the 25 percent payments to the States; overhead costs related to headquarters and regional management, and joint costs.

107. Question: What other specific cost categories presumably related to the timber sales program are proposed to be excluded from your information system?

Answer: None. In Report 1, the financial account, all costs and revenues are displayed that are associated with the annual sales program.

GAO states that joint costs are excluded; this is not correct. Since we could not find a non-arbitrary way to distribute these costs to other resource areas, we left all the timber sale program joint costs in the information system in Report 1, The Financial Account. Some reforestation costs are removed as noted in question 131, and some of the land line location (see question #116) and appropriated road maintenance costs are removed because they do not relate to the sale program. These costs are removed primarily because they benefit other NFS programs.

Historically, much of the appropriated road maintenance has been funded as a timber expense. However, all road maintenance caused by the purchaser's timber sale operation is the responsibility of the purchaser and the maintenance is performed by the purchaser or by purchaser deposits of funds. Closer analysis of actual accrued maintenance work shows us that most maintenance results from use by non-timber resources between harvest periods and activities. There is a portion of the road maintenance cost that remains with the timber sale program and this portion will be charged on an accrual basis in the financial account. These changes are reflected in current and future budget submissions. All costs are accounted for in the display and accompanying worksheets provided in the process.

108. Question: How can the system provide complete and accurate costs if such costs are excluded?

Answer: The system does provide complete and accurate costs of the timber sale program which assists review of the program. Other nontimber costs have no direct bearing on this program. For example, including the Regional or National overhead costs in these reports would not provide management with any additional decisionmaking information. These costs do not enter the timber sale decision making process. The basis for this view is a report entitled "A Comparison of Timber Sale Accounting Systems in the Private Sector" (Dr. Douglas MacKinnon, Duke University), cited in our draft report to Congress. In that report, Dr. MacKinnon observed that most firms make stumpage sale and pricing decisions on the basis of incremental costs and revenues. His conclusions were that including fixed overhead charges in the financial portrayal of the timber sale program could only obscure the critical cost factors involved, i.e. variable costs. He recommended that such overhead charges not be included, in line with private sector accounting practices for optimal decisionmaking. We include overhead cost for all Forest level operations and this changes as displayed in Report 1, The Financial Account.

109. Question: Have you defined the types of charges to be made to those cost categories which you do intend to include? If not, when and how will such definitions be accomplished?

Answer: Yes. The types of charges are defined in our existing accounting system and are brought forward without change into the information system. Also, a complete "data dictionary" has been included in the instructions for Report 1, The Financial Account. Our costs are defined in several ways by accounting structure:

Type of budget object cost (such as salary, travel, supplies)
Type of funding (such as National Forest System, timber sale preparation and administration)
Type of program (such as timber)
Type of work (such as sale project design)

GAO also claims that there are instances where the accounting procedures to be applied to the timber sales program may not conform to the Comptroller General's requirements for federal accounting principles and standards.

110. Question: For example, what is the basis for assuming roads should be depreciated over 50 years, rather than 40 as recommended by the CG?

Answer: We started with the premise that the majority of roads are constructed to harvest timber and serve for the rotation period. Rotation periods can be 80 to 120 years which could be considered the depreciation timeframe. After discussion with GAO, we decided on 50 years to be consistent with our resource needs and with other long-term industrial capital investment projects such as TVA dams.

111. Question: Won't this result in lower costs?

Answer: In the short run, yes. In the long term, no. The difference would decrease each year until the periods of depreciation are reached. Then there would be no difference. The actual cost of providing the facility does not change. A shorter period simply accelerates the depreciation period.

112. Question: What about roads that have substantially shorter lives?

Answer: We do not plan, locate, design, and construct most of our permanent roads to have substantially shorter lives than 50 years. Road use may be continuous, intermittent, or absent during periods of inactivity. Use, accompanied by normal maintenance, does not shorten permanent road life.

On the other hand, timber purchasers are authorized to construct temporary roads which are needed only by the purchaser for purposes of operating the specific timber sale. These temporary roads are not considered to be part of the official road system, are expensed in the sale as a logging cost (i.e traded for timber, offsetting timber receipts), and are generally revegetated as soon as feasible.

113. Question: Shouldn't a shorter depreciation period be used?

Answer: Since the permanent forest development transportation system exists only to serve national forest management purposes, which includes timber management, it is viewed as a long term investment. We believe a depreciation period of 50 years strikes an appropriate balance between roads that may have a useful life of less than 50 years and those that have proven lives, with minimal maintenance, well exceeding that period.

It is important not to confuse the roads being represented as having long useful lives in this discussion with the temporary roads, discussed in the previous question, that without question have limited utility for long timeframes and are expensed in the sale.

114. Question: Is it true that you do not currently have cost estimates available on the existing road networks, at the forest level? If not, how will these be developed?

Answer: We do not account for road costs on a road-by-road basis. The Forest Service has 340,000 miles of road which translates to about 200,000 road segments. To account for these roads separately would be too burdensome.

We do have total costs of roads by Forest (Forest network) in the Forest's real property records. However, the costs are totals for all roads including timber, recreation, and multi-purpose roads. The real property records will be used to identify timber road costs.

115. Question: Will you start accounting for such costs? When?

Answer: We would account for all costs needed to administer the agreed upon timber information system as soon as the final system is approved for implementation and put into effect.

116. Question: Why are you proposing to exclude all land line location costs?

Answer: The proposed timber sale program information reporting process does not categorically exclude all land line location costs. While the Forest Service views the program as a cost of land management, forests retain the option of reporting land line costs incurred in the reporting year that would never have been incurred without the particular timber sale(s) involved.

117. Question: Is it not true that it would not be necessary to carry out a large portion of the land line location activity if it were not required in order to be able to hold timber sales? If not, why is your budget justified that way?

Answer: This statement is not true. Knowing or determining the boundaries within which activities can occur is a prerequisite to being a landowner. It is a cost of land stewardship, regardless of the nature of the activities that occur within those boundaries. This is true, unless one is willing to bear the risk and associated costs of trespass.

The objective of the land line location program is to locate, mark, and post property lines between National Forest System (NFS) land and other property before instituting resource management activities. The program identifies these legal boundaries so that activities (e.g. timber sales) can be carried out without the risk of encroachment.

The FS views the costs of the land line location program, in principle, as a cost of land stewardship and management. The Forest Service goal, as discussed in the Report of the Forest Service for FY 1985 (p. 13), is to locate, mark, and post all NFS property boundaries by the year 2020. Of the total 272,409 miles this entails, 75,346 miles (28%) were completed by the end of 1985.

The budget is justified this way because resource constraints (i.e. time, funding, personnel) limit the speed at which this program can proceed. As a consequence, priorities must be established to direct the program so as to minimize trespass cases and concomitant losses to the Government. This prioritization, based on the highest potential for trespass, tends to focus on the timber sale program where the risks to the Government and to the public are greatest.

In FY 1987, 3,955 miles have been identified as high priority. Seventy-one percent of that mileage is related to the timber sale program, with the remaining 29 percent tied to minerals, recreation, and other resource programs (1987 Budget Explanatory Notes of the Forest Service, page 124).

118. Question: Do you now operate your accounting system on a cash or accrual basis?

Answer: The Forest Service accounting system, and the information in the Timber Sale Program Information Reporting System, is on an accrual basis. Some information extracted from the accounting system is converted to a cash basis for specific purposes; for example, the value of receipts used for the 25 percent payments.

GAO also finds that the FS proposal to report timber sale costs and benefits at the forest level will not provide the information necessary to control and manage timber sales, because individual sales that are below cost might be hidden within an overall forest total that shows revenues exceeding losses.

119. Question: How will your managers be able to manage and address below cost sales if they do not have accurate information at the level to identify such sales?

Answer: Field managers have accurate cost information available to them to manage their resources at both the Forest and District levels. This information has been an integral part of ongoing project analyses routinely conducted in the field to screen for economically efficient projects. As the GAO report pointed out, timber sale planning in many Regions involves a computer system that is staged to pull additional information, such as that from economic analyses, into the timber sale planning process at appropriate decision points. This is one of many areas where existing and new information from the timber sale program accounting reports can be utilized. Another area where this information may be useful is in a similar process being implemented in Region 6. Their economic analysis handbook for timber sale evaluation is viewed as a model for comprehensive review of such projects.

Whether a sale has costs that exceed its anticipated future revenues in relation to the total net public benefits can only be determined in the context of the overall management plan for a given National Forest. District Rangers are responsible for providing cost effective projects designed to implement the forest management plan. Certain projects may individually have costs in excess of revenues but as part of overall program implementation they may be essential to meeting the objectives of the Forest Plan in a cost effective and efficient manner.

Monitoring the timber sale program through a sound information gathering and display system can be helpful and meaningful to identify problems with cost and revenue expectations on future sales. However, the scope of costs and revenues must be viewed together with forest plan projections of what should occur to meet stated objectives over an extended time period.

120. Question: Are timber sales planned or budgeted for at the forest level only? Shouldn't costs and benefits be monitored and controlled at the management level used in each district, not the forest level?

Answer: Decentralizing the timber sale program reports to the District level is not practical. Timber sale program is based on Forest level planning and budgeting. Individual District project levels may fluctuate substantially from year to year based on shifts within forest plan objectives and other factors, such as insect and disease problems and fire. Often times timber sale support functions are centralized at the Forest level or are zoned among several Districts. Overall benefits should only be measured against the goals of the forest management plan.

Costs and receipts are monitored at District levels on a functional level for individual projects to measure cost effectiveness among Districts and Forests, providing useful information to improve cost efficiency. However, reporting this information at the District level would substantially increase our costs without improving overall accuracy of the information.

Forest Supervisors and District Rangers have performance standards and their performance is measured by cost and benefits of the timber sale program. Field units are measured competitively on their ability to deliver a cost efficient and effective program.

121. Question: What studies have been done to back up the FS Task Force's estimates of additional costs that would be incurred to operate an information system at the District rather than Forest level? Provide details of such studies to the Subcommittee.

Answer: No detailed systems design study was undertaken to determine the costs of making the necessary adjustments to existing accounting systems to accommodate a District level accounting system.

Ranger Districts are the on-the-ground Forest Service administrative units that provide goods and services to the public. For some services, they are a logical source for accounting. For timber sales, however, this is generally not the case. While the ranger is responsible for the sale, some work on sales may be done by personnel outside the District (i.e., other Districts, the Forest Supervisor's office, or the Regional office). Funds for such support work are channeled through the Supervisor's office, but the allocation of shared-service costs to each District is not easily determined. The following discussions address revenues, costs, and barriers to decentralizing the timber sale program reporting system to the District level, in contrast to the feasibility at the National Forest level. Many of the following barriers to decentralization, as envisioned by the GAO, were further reaffirmed by our investigation of tested sale accounting on the Hebgen Lake District of the Gallatin National Forest in southcentral Montana.

Source of Funds

Revenue information is available by District (and also for National Forests) in the Automated Timber Sale Accounting System (ATSA).

Application of Funds

1. All costs charged at the District level are identified by District; however, not all timber sale work is done on the District level. On many Forests, Districts do work for other Districts. For example, District 1 may do all work for sale preparation for Districts 1, 2, and 3. This type of work cannot be separately identified in the accounting system.

   All Supervisor's office (SO) costs would have to be allocated to the District level:

   -- Some SO costs could be allocated based on dollars spent. For example, SO program management costs include timber staff officers and their assistants' staffs, and the resource business management sections. These costs relate to the overall management of the Forest's timber program.

   -- Some work the SO does for the Districts is under direct project costs, which are not separately identified in the accounting system by District. Equitable allocation of these direct project costs would be difficult. For example, SO project costs include:

   (1) Specialists, such as wildlife biologists, soil scientists, and hydrologists, who review timber projects for all Districts. They provide input from their resource area to the timber staffs of each District.

   (2) Engineering staffs who provide preconstruction and construction engineering services for all Districts. These organizations are sometimes zoned to provide services for multiple Districts.

   -- Road construction costs/depreciation charges are not identified by Districts; transportation plans and/or road inventories cross District boundaries. Hence, equitable allocation of road costs by District would be difficult.

   -- Different allocation procedures for each type of cost would be required, resulting in complicated instructions and applications on each forest.

2. If reports were prepared on a District level it would create an unnecessary burden of paperwork. Almost 2,500 reports would be required (3 reports for each of the 644 Districts and 122 Supervisor's offices; 122 forest summaries; 9 regional summaries; and one national summary), compared with less than 500 as proposed.

3. Because of cost allocation problems, the total cost for each District would have to be manually reconstructed.

Other Considerations Hindering Decentralization of Reporting to Districts

1. National forest land management plans are done on a forestwide basis, so that comparisons to the plan from a district level are difficult. This would be a significant problem in trying to determine nontimber resource benefits from the timber sale program. The forest plans are the source of this information, and many forests do not use the district as an area for measuring outputs from management activities.

2. The Forest Supervisor is legally the responsible line officer and has direct management responsibility for forest operations, including the negotiation of program levels with the Regional Forester and ultimate accomplishment of these levels. The District Ranger is not in the direct line to negotiate forest programs, but is responsible to the Forest Supervisor for implementing the assigned portion of the forest program.

3. Costs would be very high to make the changes necessary to decentralize all cost and revenue information down to the district level. Further problem areas include capital accounts for roads and deposit and collection accounts for KV, brush disposal, and cooperative agreements. In addition, techniques are not presently available to adequately address the quantification of nontimber benefits. The costs for system modification and operations costs are estimated as follows:

Item	Forest Accounting (Proposed)	District Accounting
Design	$ 44,000 (one-time)	$500,000 - $1.5 million
Implementation	$200,000 (one-time)	$1 million
Operation and Maintenance	$300,000/year	$1.6 million/year

Design

At the Forest level, accounting system changes discussed in chapter 4 of this report are small in that they rely largely on the existing systems of the agency. Costs for changes in system design for accounting at the Forest level are estimated as the following:

-- Instructions: 60 person days of work (@ GS-13 rate = $9,600)
-- Input/Report Forms: 90 person days (@ GS-11 rate = $10,080)
-- Current system changes (programming, etc.): 90 person days (@ GS-11 rate = $10,080)
-- Automated data processing (ADP), Testing, Supplies (est. $5,000)
-- Support Costs (30% of salaries = $9,000)

-- TOTAL DESIGN ESTIMATE ($44,000)

For the District level, it is more difficult to estimate costs, but similar efforts recently completed indicate that systems redesign would cost between $500,000 to $1.5 million.

Implementation

Training is the most significant cost in implementation. For the Forest level, following are estimated costs:

-- Two individuals (GS-7, GS-11) one week each ($1,000 X 1.3 support = $1,300)
-- All forests (122 X $1,300 = $159,000)
-- Regional, Washington office training ($41,000)

-- TOTAL FOREST IMPLEMENTATION ($201,300)

For a District accounting unit, the training needs expand proportionately.

-- Two individuals (as described above) for 644 districts ($1,300 X 644 = $837,000)
-- Forest, regional, Washington office training (as above, $200,000)

-- TOTAL DISTRICT IMPLEMENTATION ($1.04 million)

Operation and Maintenance

Based on two separate tests in this study where costs to provide the forest-level information were monitored, the average estimated cost per forest to provide this information is $2,500. The total annual costs for forest accounting would be: 122 forests X $2,500 = approximately $300,000.

For District-level accounting, costs similar to those described above for the Forest level would be duplicated on 644 Districts: 644 X $2,500 = approximately $1.6 million.

CONCLUSIONS

As discussed in Chapter 4 of the draft report to Congress on the timber sale program information reporting process, the proposed unit of accounting for the timber sale program information reporting system is at the national forest level. Although cost accounting may be feasible for Ranger District timber programs, this level was not recommended because costs would be high and there are significant problems in trying to quantify nontimber benefits accounted for at the Forest level for Districts. Further research is continuing on the relationship between the costs and benefits of timber harvesting. Research results may point to the need for future changes and improvements in the proposed information reporting system. At present, however, the Forest level yields the most complete, accurate, and least cost, administrative, picture of the timber sale program.

In summary, the GAO believes that if the system's information is insufficient to result in effective management and control, as proposed by the FS, then the costs expended to design and operate it will be wasted.

122. Question: Would you agree with this statement?

Answer: The premise that GAO bases their view on appears to be the notion that without nation-wide cost accounting at the project level, effective management and control cannot exist. While they state that District level information "...could also provide sufficient management information..." (page 22), they continue to narrowly view the needs for accounting for management and control as if timber sale activities are the only management actions the FS engages in. Of course, this is not the case. We do not agree with their view in this area.

The National Forest System lands are managed for a host of natural resources. Each resource area, whether it be timber, wildlife and fisheries, recreation, or water has its own "natural" boundaries within which a manager can measure resource responses to management actions. Take, for example, expenditures for water yield enhancement. The natural boundary for observing responses to management action in this area is the watershed invested in and affected. Timber sale planning is, as GAO correctly points out, oriented around "compartments." Planning and investing in trails for dispersed recreation opportunities centers on integrated projects for a Forest's trail system. Road planning and design is most effective when viewing a road "network." The list is endless. The point here is that each activity may have a desirable accounting unit when viewed alone, but for an agency that must integrate its management activities to move towards an agreed upon set of objectives, the common thread is management of programs at the Forest level. Watersheds cross compartments, Districts, and Forests. Recreation trails, streams, roads, and wildlife migration routes do as well. The interrelationships of all resources managed by the Forest Service do not conveniently adhere to common administrative lines placed on maps. This natural occurrence has always existed and will not change.

What can and will continue to change is the way we understand these interrelationships and how we, as managers, can take what nature has presented us with and manage the resource in a fashion that facilitates sound land stewardship and best meets the needs of the public -- given the societal, physical, and biological constraints we face. The timber sale program information reporting process is one change that will improve understanding of one of the many management activities we engage in. Furthermore, we believe it is a good product and one which does provide management and Congress a tool to manage and monitor the timber sale program. If we were to view management of the National Forests as GAO would propose, it would mean further decentralization of total responsibility and accountability for forest programs from the Forest Supervisors down to the District Rangers, i.e. from 122 NFS Supervisors to 644 District Rangers.

We believe that effective management and control can and does take place at levels below the Forest. However, the diverse nature of the varied resources managed, their relationships to each other, and their natural overlapping "boundaries of influence" combine to preclude forcing an accounting structure that addresses only one resource and ignores all others.

123. Question: What is your estimate of how long it would take to design such a system?

Answer: Assuming that this means a system that can provide for effective management and control of the timber sale program, which we feel that this draft report to Congress' proposal accomplishes. The process described in the draft report to Congress would be ready after incorporating input received from an internal technical review currently being conducted, and an external public review. We anticipate that a final design of the product could be ready by FY 1987.

GAO also expresses concern with how the FS will define the value of benefits on which it intends to report.

124. Question: How do you plan to define how the benefits to be reported from timber sales are to be computed?

Answer: We assume that this question relates to the quantification and valuation of nontimber benefits stemming from timber sale activities. Timber revenues are collected systematically in existing accounting systems.

Report 2, The Economic Account, of the timber sale program information reporting process displays the discounted net values that are expected to flow over time from the acres harvested in the previous fiscal year. The assumptions and procedures used in developing this information is to be based, for each forest, on the information developed for the forest plan. Using the same approach followed in developing the forest plan, the forest will identify those resource areas, both timber and nontimber, that will be impacted by the harvest of the previous year over time. The report will include quantification of both costs and benefits. Each forest has a unique ecosystem to evaluate, thereby necessitating analysis matched with its own circumstances. Valuation of the nontimber benefits or costs (i.e. loss of benefits in the absence of the previous year's harvest) will be based on RPA values for the region. This is the same guidance that was given and followed in the development of forest plans.

125. Question: Will specific assumptions, procedures, and values to be applied be defined nationally, so that all users will have a consistent basis for making computations, and judging the results of those computations?

Answer: As discussed in the previous question, the forests will depend on the information used in the forest plans for these computations. Consistent assumptions will be applied to the degree they do not hinder accurate determination of these benefits and costs. Procedures for analyzing the impacts on other resources from timber harvest activities will likely vary from forest to forest, just as they did in the development of forest plans across the country. The reasons for this variation, in large part, are due to the variability in scientific knowledge about these resources in different parts of the country. While one forest may have a wealth of information about the impacts on white-tailed deer from harvesting timber in the Midwest, for example, less may be known about those impacts on deer herds on neighboring forests in another State.

For the proposed system, as was done for the forest plans, the forests will be directed to utilize the best information they have. They will account for costs and benefits of harvested acres for the activities prescribed by the forest plan.

The benefit values ascribed to nontimber outputs will be the RPA values used in the planning process for each region, unless the forest has better information available. This direction is consistent with that followed in developing forest plans.

126. Question: Won't this require a significant effort to ensure all locations have updated data, unlike the situation reported by the GAO at the Mount Hood NF?

Answer: As discussed above, not all forests have "perfect" information. Under ideal circumstances, every National Forest should have complete, up-to-date information about every resource managed and the interrelationships among all resources. Of course, this is not possible. In recognition of this, forest's have, and will continue, to use the best information available at hand. The Mount Hood echos the frustration that many in and outside of the Forest Service have experienced when called upon to make important decisions without perfect knowledge. However, this information does represent the best professional and scientifically tested information available on the costs and benefits to the public and local communities from the timber sale program.

127. Question: How will the system you're proposing now provide any better information on timber sales than that which you have provided this Subcommittee in the past?

Answer: The proposed process will provide uniformity among units in the costs and benefits tracked. It will also display total benefits attributable to a National Forests' timber sale program over time, both from stumpage and money spent in the local economy. It will provide: consistent components of costs and benefits, consistent methodologies for identifying timber and nontimber benefits and costs, and, a display of the actual impacts from Congressional appropriations on the public in economic terms. Finally, it will provide a solid basis for monitoring the effects of implementing forest plans and provide the information needed to update these plans in the future.

128. Question: Have you solicited comments on your proposed information system from the people managing the forests? If so, what was the extent of your survey and what was the reaction of those individuals?

Answer: Field managers have been involved throughout the entire task force effort in the investigation, formulation of alternatives, testing, and evaluation of timber sale program accounting options. For example, more than 36 National Forests were involved in testing the different accounting procedures and formats. Dozens of field personnel were called upon to assist in various aspects of analysis and design. Currently, a technical package has gone out to field managers to review and comment on the results of this entire effort and product.

While a formal "survey" was not conducted prior to the internal review, we do have some sense of their reactions. One of the more prevalent reactions reflects an uneasiness in focusing on one activity of the agency that is so intimately tied to other resources, yet fails to fully display all resources together in a fashion more reflective of how managers view their job and make their decisions on multiple-use matters. Furthermore, they have voiced the concern that, as they discovered in their own forest plan development, the state of the art and knowledge in identifying the annual economic benefits in nontimber resource areas is difficult to accomplish. This is particularly so in describing what they are experiencing on the ground, i.e. the complex effects on ecosystems from vegetative management or change.

For example, many of these managers have maintained close ties to certain Forests over the years and have witnessed the tremendous strides made in increasing elk herds through the timber sale program. The Idaho Panhandle National Forest in northern Idaho is such an example. Today, the resultant recreation industry tied to hunting of these animals is a direct benefit from past and current management and maintenance of these herds by providing the necessary habitat to support them. Incrementally, last year's harvest may show a small impact or net gain to elk because the Forest is at or near the natural carrying capacity for the area's herd. They are at today's high levels due to past timber management; they will continue (barring some sort of natural catastrophy) as long as past practices continue. If timber sales decline or stop, over time the natural processes will cause population decreases due to loss of the needed habitat.

From a financial point of view, field personnel have found the annual financial account report (Report 1) in the timber sale program to be very useful. Managers can use this report to learn about areas of management needing more review or further analysis, such as where unit costs need to be trimmed through more efficient practices, or where past changes in practices have led to cost efficiencies.

129. Question: When will you submit a final proposal?

Answer: Pending the public release of the draft report to Congress after an anticipated special session with the House Appropriations Subcommittee on Interior and Related Agencies, a 90 day period for review and comment on the draft report will begin. We anticipate that a final report will be available by early fall, 1986.

130. Question: Agriculture's Inspector General issued a report in September, 1985, which stated that your existing accounting system contained inaccurate information. If so, why are you choosing to rely on that system for cost data to be reported to this Subcommittee?

Answer: We believe the referenced report is the IG's "Audit Survey of FS Assessments and Allocations for General Administration Costs." As noted, this report deals primarily with general administration costs, but could indirectly affect the costs reported in the information system. We took numerous exceptions to the report, provided clarification on some matters, and took corrective action on others. We continue to believe that our system does not contain inaccurate information to the extent that it would distort our reports.

We do believe that no matter how diligent we are, certain incorrect data will enter the system, either through data entry errors, misjudgments, ignorance, or, in rare occurrences, deliberate miscoding of documents. However, our internal controls and internal reviews are designed to keep these to a minimum and meet federal accounting standards.

131. Question: One of the so-called joint costs that you do not intend to allocate to the timber sale program is reforestation. If you incur reforestation costs because you cut timber, isn't that a direct cost?

Answer: Yes. If the reforestation costs result because we cut timber, it should be and is included in the system. However, we do remove some reforestation costs that are not related to the timber sale program.

For example, if we reforest an area that was destroyed by fire, those costs show up as a reforestation charge. These costs have no relationship to the sale program, should not be reported as such, and are removed to reflect the actual work performed for the timber sale program.

132. Question: Regarding benefits, our proposal states that you do not plan to allocate portions of certain joint costs to the timber program because of the difficulty and subjectivity of allocation. Isn't the quantification of benefits equally subjective and difficult to compute?

Answer: The GAO report appears to reflect a misunderstanding of the problem of joint cost allocation. Joint costs refer to activities, such as road construction, that produce multiple outputs, such as access to timber dispersed recreation, and fire protection. Our point is that, based on scientific research to date, there is no nonarbitrary way to allocate those costs to benefiting resources. As a consequence, we show the total cost, and not split that cost among the benefits.

Because joint costs are not allocated, the process reflects the benefits to other resource outputs resulting from joint cost expenditures in the timber sale program. Nontimber resource benefits that result over time are included in the discounted net value display presented in Report 2.

The quantification of nontimber benefits, while not as easily handled as tallying timber receipts to the Treasury, is far from subjective in every case. As discussed in #126, the state of scientific knowledge in understanding the relationship between management action and resultant resource output response on every piece of ground is variable. The Forest Service bases its estimates to these questions on the best information available. One example of such research is contained in a 1984 general technical report entitled "Empirical Estimates of Amenity Forest Values: A Comparative Review" (C. Sorg and J. Loomis, USDA-FS Rocky Mountain Forest & Range Experiment Station, RM-107, 23 p.). When new and better information is well tested and transferred to field managers, it is integrated into management processes to enhance tools and operating procedures. When nothing is available, professionals must use their own judgment.

133. Question: How do you intend to handle or present negative benefits, that is, the adverse effects that result from timber harvesting?

Answer: Costs that represent actual "cash" losses will be presented in Report 1, subject to generally accepted accounting principles and related guidelines for federal agency accounting. In the area of adversely affected nontimber resources, such losses will show up as costs. Adverse effects are typically reflected as a loss of an output, such as decreased fish numbers due to sedimentation. The appropriate RPA value will be applied. These costs will not be overlooked in this process.

TIMBER SALES PREPARATION

(P. 154.) The request for sale preparation and harvest administration is $136,942,000, a decrease of $11,614,000.

134. Question: What is the status of the Helistat testing in FY 1986? Is the project on schedule to phaseout in FY 1987? How exactly will the funds requested be used?

Answer: The Helistat contract is currently on schedule to complete construction and field flight testing by the end of FY 1986. The FY 1987 Helistat program of $2.6 million will provide for the completion of final documentation of the development and testing programs, the disposal of the vehicle and surplus materials, and the final settlement of the contract.

135. Question: How much of the reduction in harvest administration (-$3,195,000) is related to phaseout of the Helistat? What other reasons are there for this reduction?

Answer: The entire reduction of $3,195,000 in harvest administration is the difference between the estimated costs of the Helistat program in FY 1986 and FY 1987.

The harvest administration program will be approximately the same as FY 1986. We expect to have about the same number of contracts to administer as in FY 1986, and harvest volume is estimated to be at 11.2 BBF, the same as FY 1986.

136. Question: Why is the timber support to other programs (p. 150) increasing to $9,458,000 from $6,557,000 in 1986? What is included? Provide a breakdown of both years' costs for the record.

Answer: The following table shows the distribution of funds from the timber sale program to support other Forest Service activities for fiscal years 1986 and 1987.

Item	1986	1987
	(Dollars in thousands)	
Minerals	$ 71	$ 67
Fire Protection	1,009	2,162
Recreation	81	77
Wildlife habitat	74	96
Range management	63	120
Soil and water	12	23
Land management planning	3,584	5,252
FLIPS	1,663	1,661
Total	$6,557	$9,458

The increased costs in FY 1987 are the result of less appropriated funding available in other accounts, especially reforestation, to pay for the necessary land management planning costs, the final phases of the FLIPS program, and the increased costs of aircraft use to transport timber management crews and equipment.

Included in the request is $7,591,000 for the Forest Service portion of the O&C grant lands program.

137. Question: What is the basis of the $764,000 decrease from 1986?

Answer: The reduction is due primarily to the amount of reoffer volume scheduled in FY 1987 for these lands (85 million board feet). The costs associated with the reoffer volumes are lower for both sales preparation (-$644,000) and road construction (-$172,000). The balance of $52,000 ($816,000 - $764,000) is for increased costs for reforestation and resource protection.

138. Question: How will you be able to maintain the 200 MMBF program in 1987 at the reduced funding level?

Answer: The FY 1987 O&C offer level will be 200 million board feet, because a portion of this volume will be turn-back sales, as is part of the total Regional program. There are sufficient funds in the Region 6 program to maintain the 200 million board feet level in out years.

REFORESTATION AND STAND IMPROVEMENT

(P. 157.) The request for reforestation and stand improvement is $57,948,000, a decrease of $41,472,000 from 1986 and $37,197,000 from 1986 adjusted. This request is offset by $30,000,000 from the Reforestation Trust Fund.

The justification states that reforestation needs accrue at a rate of 450,000 acres a year, and the amount of acres needing reforestation is projected to grow from 827,000 as of 10/1/85 to 931,000 as of 10/1/86 to 1,047,000 as of 10/1/87. Acres accomplished were 369,800 in 1985, 346,000 in 1986, and 334,100 projected in 1987.

139. Question: How do you explain the fact that the acres needing reforestation grew only 5,000 acres from 10/1/84 to 10/1/85 (from 822,000 in last year's justification to 827,000 this year)?

Answer: There was a 53,000 acre reduction in needs that were mainly a one time adjustment because of land management decisions such as additions to wilderness areas, reductions to meet multiple resource needs such as wildlife habitat, and other land classifications. Most of these decisions are tied to the Forest land management planning effort and wilderness legislation.

140. Question: Is it likely the estimate of 450,000 new needs per year is overstated? What is this estimate based on?

Answer: The estimate does not appear to be overstated. The new needs amounted to 428,000 acres in Fiscal Year 1985. The estimate is based upon a return to a more normal timber sale harvest level and an average amount of acres lost to fire, insects and diseases, and other natural occurrences like wind storms.

148. Question: Do you consider the projected inventory of 1,047,000 acres at the end of FY 1986 too high?

Answer: This level of inventory is between 2 and 3 years of work and is now reaching the upper limits of a reasonable level. It takes about 2 years in most of the country to grow a desirable seedling and often takes about the same length of time to prepare the planting site properly.

149. Question: What effect does the herbicide moratorium have on this program? When will the "worst case" analysis be released? What happens then?

Answer: The herbicide moratorium increases the cost of site preparation and the cost of release from competing vegetation on some areas. An amended regulation dealing with the analysis of reasonably foreseeable significant adverse environmental impacts in the face of incomplete or unavailable information was published April 25, 1986. The analysis will have public review prior to our decision on how to proceed with the use of herbicides.

150. Question: What effect will the lack of herbicides have on the timber sales program, particularly in Regions 5 and 6, in the long term?

Answer: In the long term there will be a slight decline in sales offered in Region 6. There will be a larger decline in Region 5 where vegetation control is necessary to permit trees to survive and to grow at reasonable rates. Both Regions are including analysis of this situation, as appropriate, in individual forest plans.

The request for timber stand improvement is $15,938,000, a decrease of $14,402,000, or 76,400 acres. This is partially offset by an increase in K-V by $8,507,000 and 45,200 acres.

151. Question: Why are you proposing an even lower accomplishment level in the total TSI program (76 percent) than in reforestation (80 percent)? Isn't it feasible to do more TSI, and be more cost effective?

Answer: Reforestation is normally given a much higher priority because of National Forest Management Act requirements and the need to keep as much land as possible in production. Reforestation is also given added emphasis because of the time it takes to grow seedlings and prepare the site for planting. There is much less flexibility in planning and funding reforestation and planting projects. Stand improvement projects are much more flexible because they are not committed to completion of prior activities.

At the national level, it is difficult to aggregate reforestation projects and determine that they are more or less cost-effective than stand improvement. We can measure the relative merits of reforestation projects within the reforestation program, or of stand improvement projects within the stand improvement program. Each Ranger District must determine the most cost-effective projects that they need within their budget constraints to meet land management needs. We can assume that, within the President's budget constraints, the mix of reforestation and stand improvement projects is the most effective program.

141. Question: What were the actual number of acres added to the inventory in 1983, 1984, and 1985?

Answer: In 1983 about 367,000 acres and in 1984 about 384,000 acres were added to the needs. Both of these years were years of below normal timber sale harvest and losses to natural occurrences. In 1985, as noted above, 428,000 acres were added to the needs.

142. Question: Describe specifically what you are doing to improve benefit-cost ratios in this program? What kind of national direction, as to economic analysis to be done before proceeding with reforestation and stand improvement projects, has been provided to the field?

Answer: Regions have been requested to evaluate reforestation proposals based upon cost of doing the job and the potential outputs in future yields. In addition, many Forests have sought approaches to reduce costs by working in efficient size areas. The lowest cost and highest productive sites are treated first, scaling down to the highest cost and lowest productive sites.

The decrease in the appropriated reforestation program (-$25,484,000 and -66,311 acres) is mostly offset by an increase in the K-V program (+$21,266,000 and +54,400 acres).

143. Question: What is the basis for this switch between the appropriated and K-V programs?

Answer: As the backlog reforestation has been accomplished, the Forest Service has had a trend to reduce appropriated funds. Increasing harvest volumes in recent years have resulted in a larger K-V program. In addition, the Forest Service has tried to develop more cost efficient timber sales that can support reforestation with K-V funds.

144. Question: Was it made for budgetary reasons, or programmatic ones?

Answer: As noted above, this has been a programmatic change.

145. Question: Where was the decision made (i.e., Forest Service, the Department, or OMB)?

Answer: The Forest Service made this decision.

146. Question: Would it be possible to accomplish more acres with K-V funds, or would appropriated funds be required?

Answer: No additional work could be done with K-V funds unless statutory changes were made to the K-V Act. Appropriated funds are required for additional non-timber related reforestation.

147. Question: In either case, how much additional funding could be used in FY 1987? How many additional acres could be accomplished?

Answer: About $23,800,000 of appropriated funds would be needed to accomplish an additional 66,000 acres of reforestation. However, this is a postponable investment activity. It would be inappropriate to overfund the program at this time when additional expenditures would not meet current land management needs.

152. Question: Would it be possible to do more with K-V funds, or would appropriated be required? How much more could be done, with either, and how many additional acres would be accomplished?

Answer: An additional 13,100 acres can be accomplished using $2,016,000 of K-V funds. However, any higher priority TSI work will need to be accomplished with appropriated funds. For a total of 400,000 acres, an additional 97,500 acres of TSI could be done at a cost of $33,600,000 of appropriated funds. A maximum program, or 450,000 acres, would require an increase of 147,500 acres and would cost $28,202,000 more than the existing proposal. About $23,800,000 of appropriated funds would be needed to accomplish an additional 66,000 acres of reforestation. However, this is a postponable investment activity. It would be inappropriate to overfund the program at this time when additional expenditures would not meet current land management needs.

The request for nursery and tree improvement operations is $13,617,000, a decrease of $1,586,000.

153. Question: Have you closed a nursery since last year's justification (this year's says 11, last year's 12)?

Answer: Yes. The Eveleth Nursery in Eveleth, Minnesota, will be closed during fiscal year 1986.

154. Question: Why do you need to produce a total of 162.0 million seedlings for the FY 1987 program, compared to 140.1 million last year?

Answer: In the FY 1986 Explanatory Notes, we proposed 150.1 million seedlings, 140.1 from appropriated funds and 10.0 from State and private sector nurseries. In FY 1987, we propose 162.0 million seedlings, 134.0 from appropriated funds and 28.0 from State and private sector nurseries.

Reforestation accomplishments have not been keeping up with acres created. The number of acres harvested has shown a steady increase since 1982, and timber stands in the south destroyed by the southern pine beetle will be in need of planting. Consequently, more seedlings were grown for planting in 1987 in order to keep up with the reforestation needs.

155. Question: How exactly will the reduction of $1,586,000 be applied?

Answer: The nursery funds will be reduced by about $1,000,000, and tree improvement funds will be reduced by $586,000. Reductions will result in fewer equipment items being replaced and/or purchased, and only the highest priority repairs will be made to existing facilities. The tree selection program will be significantly reduced, and data collection in progeny test plantations and seed orchards may have to be delayed. Highest priority will be given to establishing and maintaining seed orchards and progeny tests.

156. Question: What will be accomplished with the $1,982,000 for nurseries? What facilities will be worked on?

Answer: The $1,982,000 will be used to collect and purchase specific sources of tree seed to build the seed inventories to acceptable levels; nursery improvements will be limited to critical needs such as irrigation systems, seed and seedling coolers, and pesticide storage buildings. A small amount will be used to continue with the reforestation improvement program. Selected seedlots are being monitored in each nursery. Data will be used to improve production techniques and to obtain increased survival in the field.

RECREATION

(P. 164.) The request for the recreation use program is $51,140,000, a decrease of $52,167,000. There is also a request proposed for later submittal of $52,000,000 for a new fund for operation and maintenance of recreation facilities.

157. Question: Summarize how this new fund would work. What kind of fees would be authorized? Would all collections be returned to the forest where collected?

Answer: Expanded use fees would be authorized. All recreation fees would be available without further appropriation for expenditures as determined by the Secretary of Agriculture for development, operation, and maintenance of National Forest recreation sites and areas. In practice, we would expect the fees to be returned essentially as collected, but this would not be a requirement. The following paper explains our expanded fee system if the proposed legislation were enacted.

PROPOSED NATIONAL FOREST RECREATION FEES

At the present time, we can only charge for campgrounds and swimming sites that meet specific highly developed criteria. As a result, only 2,100 of the 9,000 recreation sites operated by the Forest Service are fee sites. We are currently meeting our objectives of recovering at least 75 percent of the costs at the individual charge sites. We propose to expand the authority so that we could recover a portion of costs at some of the remaining sites and areas where services and facilities are provided.

There are numerous heavy recreation-use areas throughout the National Forest System that require administration, services, and facilities, if we are to continue to accommodate the use. As areas become heavily used and crowded, the very thing that attracts the public to the National Forests in the first place, could be gradually destroyed. Unless facilities and services are provided, the net result would be an unsatisfactory experience and environmental degradation.

In setting up any fee system, the principles expressed in the October 21, 1985, Administration's policy letter to the Chairman of the Subcommittee on Public Lands, Reserved Water, and Resource Conservation; Energy and Natural Resource Committee, would be expressly followed.

- -- Fees would not be assessed where services are not provided.
- -- Fees would not be charged for hunting or fishing permits.
- -- Fees would not be charged for use of lands not necessitating special management or facilities.
- -- Fees would not be charged for areas that do not have relatively controlled access or for areas where it is not cost-effective or practical.
- -- Fees would not be charged for driving through the forest on State or Federal highways.

For example, we would not charge for a simple pull-out with an interpretive sign, or for a relatively undeveloped overlook. If, however, there was a heavily-used canyon or complex with several campgrounds and facilities such as parking areas, toilets, picnic tables, interpretive developments, developed access points to water and hiking trails, we would likely charge for use of these facilities.

If we provide services such as visitor orientation and permits to facilitate use, visitor protection, and health and safety services, a fee might be justified, even though facilities or other services were not elaborate.

There is no intent to charge at the occassional picnic site where visitors simply pull off the side of the road to enjoy the Forest atmosphere. Areas developed for picnicking with facilities like tables and fire grates may well deserve a fee.

158. Question: What about the requirement to share 25 percent of revenues with the States?

Answer: The States will continue to receive 25 percent, which will reduce the amount available to the Forest Service.

159. Question: If your proposal is enacted, would you expect additional funds to become available in future years through the fund, or would you expect the funding available for recreation operation and maintenance to remain at about the current level?

Answer: To the extent receipts increased over time, we would expect additional funds to become available.

160. Question: Even with the additional $52 million assumed to be available, you are projecting a decrease in million days of recreation use on the forest (from 104.9 to 99.0). Please explain.

Answer: We are expecting to offer 5.9 million fewer PAOT-Days of managed recreation (from 104.9 to 99.0). This reflects increased costs and represents the desire to increase the maintenance of those sites remaining opened. The reduction in PAOT-Days will be accomplished for the most part by reducing the operating season--opening later in the summer and/or closing earlier in the fall. A few additional sites may be closed. A considerable portion of the dispersed recreation in the National Forests is not affected by budget changes.

161. Question: Even assuming the legislative proposal becomes law, given the extent of recreation use of FS lands (44 percent compared to only 20 percent for the Park Service), will there be sufficient funds available to the FS to manage this recreation workload and protect the resource?

Answer: With the proposed legislation, funding for recreation will be virtually the same as in FY 1986.

162. Question: What is the amount of deferred recreation maintenance? How much of this will be accomplished at the 1987 budgeted level?

Answer: The total estimate of deferred maintenance of recreation facilities is $295,000,000. The budget request is for $4,900,000.

163. Question: How many recreation facilities were closed in the past year? Do you expect more closures in FY 1987?

Answer: We did not close recreation sites this past year. This was largely due to the utilization of volunteer assistance and human resource programs, such as senior citizen enrollees. Many sites, however, were closed during periods of expected low use and for emergency breakdowns such as a sewage pump failure. Services were reduced at other sites. At the current funding level we expect a continuation of this type program with only minimal closures.

164. Question: If the legislation is not enacted, what are your plans for operating on the budget as requested? What will be the impacts?

Answer: Emphasis will be on maintenance of the physical plant to slow deterioration of sites and facilities.

With the funding requested in the President's budget, we will be able to provide about 99.0 million PAOT-Days of managed facility use, down slightly from 104.9 million funded for FY 1986.

165. Question: What is the status of the recreation residence fee issue? When do you expect to resolve the issue?

Answer: Agreement in principle on a comprehensive recreation residence fee proposal, providing both for equitable fees and administative efficiencies, was reached during recent discussions with permittee representatives. Based on this agreement the Forest Service and permittee representatives are drafting the proposed policy for publication in the Federal Register. Implementation of the new policy and procedures will begin if, as we anticipate, the proposal is viewed favorably by the permittees and the general public. We recognize that a few issues will require continuing effort over the next year to resolve completely. The request for wilderness management is $8,030,000, an increase of $185,000. The justification states this will provide for the "highest priority needs of the 163 new wilderness areas".

166. Question: What is your estimate as to the total management needs of these wilderness areas?

Answer: The estimated costs of implementing new wilderness legislation over a period of years is $8,400,000 for the first year and $3,000,000 annually for the next 8 years.

Prepare legal maps and boundary descriptions	$1,200,000
Mark boundaries on the ground	1,000,000
Close and sign roads and trails where motorized equipment was previously permitted	1,200,000
Educate the public and enforce new regulations	1,000,000
Train new wilderness managers and technicians	2,000,000
Prepare wilderness prescriptions and monitor protection of the wilderness character annually	2,000,000
Total	$8,400,000

167. Question: How much will be provided to meet those needs under your 1987 request?

Answer: The funding for new wilderness area management is currently unknown. Regional Foresters will determine the most critical needs and assign management tasks for new as well as old wilderness areas. Once this is done, we can determine the funding needed.

168. Question: What is the impact if the balance of the needs are not provided for?

Answer: The impacts of never providing the balance of the needs are:

Reduction of the natural quality, character and value of the area.

Increased violations by visitors with motorized or mechanized equipment.

Increased resource damage at overused sites and on heavily used trails.

Since we plan on funding the identified needs over time, we believe that management of new wilderness areas can be handled.

The request for cultural resource management is $9,368,000, a decrease of $315,000.

169. Question: How will you be able to increase law enforcement activities with this decrease in funding?

Answer: Cultural resource management priorities will be redirected to law enforcement activities. This will provide the increase needed to reduce illegal digging and removal of artifacts.

170. Question: What is your estimate of the total of such needs, and how many will be met at the budgeted level?

Answer: Since only a fraction of the total resource base has been identified to date, we cannot make a reliable estimate of what a maximum program would entail. Our law enforcement efforts in this area are directed toward prevention and public education. Our efforts to date have been successful in protecting important properties and reducing the amount of deliberate destruction. This funding level will fully fund the planned prevention and public education efforts to reduce illegal digging and removal of artifacts.

171. Question: What are the impacts of not meeting the balance?

Answer: By redirecting priorities to law enforcement activities, there should be less illegal digging and removal of artifacts on National Forest System lands.

172. Question: What activities will be reduced as a result of the proposed decrease?

Answer: The proposed decrease will reduce the resource inventory of undiscovered properties accomplishment by about 300,000 acres. Although most of the decrease will be reflected in a reduction of survey activities, it will also result in fewer properties being evaluated and nominated to the National Register of Historic Places, and a reduction in preservation projects. Our answer to question 170 discusses the effect on protection.

WILDLIFE AND FISH HABITAT

(P. 171.) The request for wildlife and fish habitat management is $33,780,000, a decrease of $4,914,000 from the 1986 appropriation and $3,250,000 from 1986 adjusted.

173. Question: What is the basis of the decrease of $322,000 in administration and resource coordination?

Answer: Non-critical surveys and mapping projects will be deferred.

174. Question: Why are you proposing to decrease acres of habitat improvement from 110,250 to 64,938?

Answer: The decrease in acres will be offset by greater efficiency and ability to maintain habitat capability in coordination with other resource activities. There will also be an increase in structural habitat improvements, which provide a high habitat capability return for the investment.

175. Question: What is the status of the "matching grant" program directed by the Congress in FY 1986? Do you plan to continue this effort in FY 1987?

Answer: The Challenge Grant Program was initiated in all nine Regions of the Forest Service. The following amount was allocated in the four program areas:

Wildlife	$454,100
Resident Fish	271,700
Threatened and Endangered Species	67,450
Anadromous Fish	109,250
Total	$902,500 (after Deficit Control Act)

There is considerable interest among the various conservation groups to be involved in this program. It is a successful program. As directed by the FY 1986 Appropriations Act, we will provide Congress with a detailed report of the FY 1986 Challenge Grant Program prior to June 1, 1986.

There is no Challenge Grant Program planned in the President's Budget for FY 1987.

176. Question: What is the impact of reducing resident fish habitat improvement by $598,000, or 44 percent in FY 1987?

Answer: There will be a decrease in habitat improvement accomplishments, both in acres and structures. Acres will decrease from 7,370 in FY 1986 to 3,954 in FY 1987. The amount of structural habitat projects will decrease from 2,410 in FY 1986 to 1,240 in FY 1987.

Projects will primarily occur in areas requiring mitigation from the effects of other resource activities. We will defer habitat improvement projects planned with States and other agencies.

177. Question: Why is improving trout habitat your second highest priority (after mitigation efforts)?

Answer: The first priority is mitigation, to reduce habitat losses and maintain capacity. Trout habitat improvement is an enhancement activity to address high public use demand, not necessarily associated with other resource projects that may decrease fisheries habitat carrying capacities.

The request for endangered, threatened, and sensitive species habitat improvement is $1,235,000, a decrease of $1,235,000.

178. Question: How can you meet your responsibilities in this program with a cut of this magnitude?

Answer: The President's program will provide for accomplishment of the highest priority recovery projects in habitats that currently are being affected or that have been previously affected by other resource management activities. We will also emphasize planning and coordination to prevent adverse impacts, and will reprioritize endangered species that are in the most critical state.

179. Question: What is the impact of delaying recovery projects?

Answer: Recovery projects will be deferred for those species whose population levels are not currently declining.

180. Question: Would continuation of the 1986 level of funding allow you to proceed without delay, or would additional funds be required? If so, how much?

Answer: In FY 1987, 77 percent of the recovery projects will be delayed. At FY 1986 funding, 55 percent will be delayed. If FY 1987 funding were increased by $4.2 million, there would be no delays. It is not reasonable, however, to fund this program at a level that would result in no delayed projects, since recovery programs for the less critically endangered species are the ones which will be delayed.

The request for anadromous fish habitat improvement is $2,835,000, a decrease of $1,020,000.

181. Question: The justification says that National Forest System waters could support an increase of 72 million pounds of anadromous fish. Will the requested budget enable you to provide any of this increase? If so, how much?

Answer: The President's program objective addresses a maintenance of habitat carrying capacity, not an increase in capacity.

182. Question: Is there a backlog of projects needed because of degradation of spawning and rearing habitats by development of other resources? If so, how much is involved?

Answer: Yes, there is a backlog of projects. The President's budget provides funding for those which are of highest priority due to the need to mitigate losses in high capability habitats and those which provide for high sporting, commercial, and Native American use. Other projects will be deferred to future years.

183. Question: Will this budget allow you to address this need?

Answer: The President's budget will allow the Forest Service to accomplish high priority, high output, anadromous fish projects. Emphasis will be to first accomplish the projects which mitigate the effects of other resource activities.

RANGE

(P. 183.) The request for range management is $27,819,000, a decrease of $241,000 from 1986, but an increase of $966,000 over 1986 adjusted.

184. Question: Why is the grazing program being proposed for an increase ($1,357,000) when almost all other programs are being cut? What exactly will this increase be used for?

Answer: The grazing program has been increased, but only at the expense of a decrease in the range improvement program. The increase was necessary in order to put more emphasis on improving range conditions through improved management rather than through capital investments in range improvements. Improved management will occur as a result of our working with the grazing permittee on developing allotment management plans which will adjust, where necessary, livestock numbers, kind, or season of use; relieve heavy livestock use on concentration areas such as riparian zones; and provide for improvement of ranges in unsatisfactory condition. This is a more cost effective approach to improving ranges in unsatisfactory condition.

The range forage and structural improvement program will be decreased by $1,413,000.

185. Question: Will this decrease affect the Range Betterment Fund program in any way?

Answer: It will require that we rely on allotment management plans developed in prior years and extensive permittee cooperation, but we believe it can be done within this budget.

The request for noxious farm weed control is $1,180,000, a decrease of $186,000.

186. Question: Have you carried out a solicitation of proposals from State and local governments to conduct this work for you in FY 1986? If so, what were the results?

Answer: We are now carrying out the direction to solicit proposals from State and local governments to use the increased funding in FY 1986. After the end of the treatment season, we will evaluate the results.

A new problem that may be developing along this line is the liability incurred by local governments in using herbicides and their inability to purchase reasonable liability insurance. In one State, where we have good working relationships with county weed control boards, several counties have stopped all use of herbicides because of the fear of a lawsuit and inability or expense of obtaining liability insurance. Should a significant number of additional counties or States follow suit, we could experience a decrease, rather than an increase, in ability of States and local governments to cooperate.

187. Question: Do you intend to continue this effort in FY 1987?

Answer: Yes.

188. Question: You state that the proposed level will allow for treatment consistent with court decisions on the use of herbicides. Does that mean it would not be possible to do more?

Answer: The program level in the President's budget reflects a realistic program level for control work with herbicides which is consistent with the Ninth Circuit Court decision on use of herbicides. Any increase in control work would have to be with agents other than herbicides, such as pathogens or insects, which would attack or control infestations of noxious farm weeds.

189. Question: Why are the number of acres to be treated decreasing by over 17,000 in FY 1987?

Answer: The reduction in acres treated is a combination of fewer dollars, legal constraints on use of herbicides, and fewer acres treated with Range Betterment Funds and under the Conservation Practices program. To a lesser degree, increased unit costs are contributing to fewer acres treated. Unit costs are increasing as we begin to treat the harder to reach sites infested with noxious weeds.

190. Question: If you are accomplishing so many fewer acres, what will the funds requested be used for?

Answer: The funds requested will all be used on the noxious farm weed program. The Ninth Circuit court decision to suspend use of herbicides pending completion of "worst case analysis" curtailed treatment on numerous sites in FY 1985 and 1986 especially in Oregon and Washington.

In lieu of treating certain infestations, e. g. knapweed and leafy spurge, with herbicides in eastern Oregon and Washington, control efforts were shifted to using biological control efforts on tansy ragwort in western Oregon. This program is a coordinated effort between the Forest Service and the State of Oregon. Many more acres can be treated this way than with herbicides for the same amount of money.

In FY 1987 we will resume the treatment of infestation in eastern Oregon and Washington with herbicides on species where biological control methods are not available. Fewer acres will be treated.

SOIL, WATER, AND AIR

(P. 189.) The request for soil, water and air management is $28,787,000, a decrease of $3,059,000 from the 1986 appropriation and $1,690,000 from 1986 adjusted.

191. Question: How much funding is included for identifying and quantifying water requirements, and securing necessary water rights through the States?

Answer: Approximately $900,000 is included for identifying, quantifying, and securing water rights.

192. Question: Is this adequate to meet the foreseen needs in this area?

Answer: This is the best estimate Regions have on how much work will be necessary to meet State requirements in 1987. Beginning in 1982, several western states have undertaken ambitious efforts to validate existing rights and adjudicate all water rights on a basin or State wide basis. The current level of work is expected to continue for several more years.

193. Question: How does the amount included for water rights adjudication compare to the amount available for this purpose in 1985 and 1986?

Answer: The total amount planned for 1987 is similar to that of 1985 and 1986.

194. Question: What is the backlog of emergency rehabilitation needs due to fires, floods, or other natural disasters?

Answer: The estimated backlog of watershed damages from natural disasters follows (as of May 14, 1986):

	Backlog Watershed Damages
1983 and 1984 flood damage - Utah area (There is renewed damage in 1986)	$700,000
1985 Flood damage - West Virginia and Virginia	$106,150
1985 Tornado damage - Pennsylvania (Debris in channels)	$ 80,000
1986 Flood damage - California	$398,000
Total watershed damages	$1,284,150

195. Question: How much of that need will be met with this budget request?

Answer: Approximately 10 percent of this need will be met.

196. Question: What is the study required by the Virginia Wilderness Act?

Answer: Section 6.(d) of Public Law 98-586 requires the Secretary of Agriculture to evaluate the effects of industrial development at Covington, Virginia, on air quality at four areas designated for wilderness study by the Act.

The role of the Forest Service is outlined in detail on pages 8 and 9 of the Senate Report 98-612. The Forest Service in cooperation with the State of Virginia and the Environmental Protection Agency shall determine if the proposed emissions will be harmful to established air quality related values representative of the study areas. The Forest Service shall determine the threshold of unacceptable change and shall identify what limitations the study areas will have on future economic growth in the Covington area.

197. Question: When is it due? Will you meet the deadline?

Answer: The Act requires a final report by October 30, 1986. We will not meet that deadline. The study began near the end of FY 1985 and will take two field seasons to complete. Funding constraints in FY 1986 have delayed the work planned for this year.

198. Question: How much is included to complete it?

Answer: Approximately $200,000 is included in soil, water, and air operations in FY 1987. About $70,000 will be needed in FY 1988 to complete the study.

199. Question: How much is included for water quality monitoring on the Bull Run watershed?

Answer: Approximately $200,000 is included in soil, water, and air operations for the Bull Run watershed.

The request for soil and water resource improvement is $1,225,000, a decrease of $1,892,000 or over 150 percent. This decrease is partially offset by an increase of $1,288,000 in K-V funds.

200. Question: How are you able to increase K-V funding to this extent? Could even more be done with K-V funds?

Answer: Funding of soil and water improvement with K-V is contingent on timber sales receipts. Soil and water K-V has ranged widely in the last few years due to harvest levels:

1983	1984	1985	1986	1987
7,200 acres	2,733 acres	3,858 acres	1,600 acres	4,350 acres

The 1986 program was planned following the 1982 and 1983 period of relatively low timber sales receipts. The 1987 program increase is due to the large increase in timber sales receipts during 1984 and 1985.

K-V funds can only be used for work on sale areas. Many of the best opportunities for soil and water improvement are located where timber sales are not feasible. However, much can be done to improve the productivity of soil and water on sale areas, particularly in the Northwest and Southeast. If timber sales receipts increase, we anticipate the soil and water K-V program will increase.

201. Question: Why is there such a big decrease in acres of treatment in 1987 (2,030 acres versus 7,267 acres)?

Answer: Unit costs increase for the work planned in 1987, but most of the reduction is due to shifting funds to higher priority work such as Bull Run and the Virginia air study.

202. Question: What is the impact of this large a decrease?

Answer: Primarily, opportunities to improve soil and water productivity will be deferred. Areas of declining condition and impaired uses such as the flood damaged areas will continue to decline.

Inventories will decrease from $6,572,000 to $4,765,000, or 27 percent.

203. Question: What is the effect of this reduction? What impact will it have on future year's programs?

Answer: We will inventory 4.8 million acres, 2.5 million less than the 1986 adjusted level of 7.3 million acres. The reduction further delays Regions 1, 4, and 8 in meeting their inventory schedules for the next round of forest planning and delays Regions 5, 6, and 8 in providing detailed soil information for intensively managed areas.

Land management plans will not have complete information on soil capability, thereby increasing the risk of soil loss. At the project level, information will be lacking on the suitability of soils for various activities, increasing the cost of treatments and foregoing opportunities to improve range and forest production.

GENERAL ADMINISTRATION

(P. 195.) The request for General Administration is $256,996,000, a decrease of $5,118,000 from 1986 but an increase of $6,153,000 over 1986 adjusted.

204. Question: Under line management, both the Washington office and field offices show increases in the 1985 and 1986 columns over last year's justifications. The Washington office was $669,000 and $691,000, and now is $701,000 and $715,000; the field offices were $41,043,000 and $42,434,000 and now are $41,949,000 and $42,545,000. Please explain the basis for these changes.

Answer: The change in the estimate for 1985 is based on actual FY 1985 information showing costs of salaries and benefits. These higher costs reflect merit pay, step increases, and pay adjustments, as well as a slight increase in travel and training costs.

The increase in the 1986 estimate results from the fact that the 1986 President's budget proposed a 5 percent pay cut which later was requested restored. This would have led to a larger increase in the estimates than the one shown; however, we expect the level of travel and training to be cut back in response to the final appropriation action for 1986, thus mitigating the increase.

205. Question: An increase of $732,000 is requested for 1987. Explain what is meant by upgrading of GS/GM positions and changes in SES grades. Provide a breakdown of the increase for the record.

Answer: The word "upgrade" is misleading. No wholesale upgrading of positions are planned. Higher pay costs pertaining to merit pay increases, pay adjustments due to step increases and benefits for GS/GM employees are expected.

The request for program support is $111,954,000, a decrease of $482,000.

206. Question: Under policy analysis, do you have any results of the study of community dependency on Federal timber sales?

Answer: A survey of each National Forest has been conducted to build a data base from which to answer questions relating to how the Forest Service timber sale program impacts local communities. Data are available by economic impact area, as delineated in the forest plans. Each area is generally made up of several counties. The data include:

- Information about the area employment directly related to the forest products industry.
- Information about area timber supply needs and the amount of this supply coming from National Forest lands.
- Information about the number of Forest employees dependent upon timber funding.
- Narrative statements detailing some unique aspects of local situations and the dependency of local communities on the National Forest.

The information has been compiled into a draft report which has been sent out to the Forest Service field units for data verification and review. The final report will be sent to members of Congress.

207. Question: What about the evaluation involving econometric forecasting of recreation maintenance needs? If so, summarize the results. (Provide copies for Committee files if available).

Answer: This study has not begun yet, it is in the planning stages.

208. Question: You show 35 FTEs in public information and involvement in the Washington office. How many such positions are there in the field offices? How does this compare to the prior year? Do you plan any increases in this area in FY 1987?

Answer: In FY 1987, the 35 FTEs in the Washington Office including 11 FTEs of clerical and technical support compare with 36 FTEs in the Washington Office in 1986, including 10 FTEs of clerical and technical support. Excluding clerical and technical support, we estimate 167 FTEs in the field in 1987, compared with 173 estimated in 1986.

We do not plan any increases in FY 1987.

209-
211. Question: Why would a forest issue a press release attacking a group for its comments on a draft forest plan?

Answer: This was a regettable incident. Public involvement is actively sought in the preparation of forest plans. It is a part of the process to seek areas of agreement, as well as concerns. We will endeavor to ensure that our responses to public comments, good and bad, are made in a professional manner.

212. Question: What kind of controls exist on press releases throughout the Forest Service?

Answer: The agency provides broad guidance and some requirements through its manual, training, and frequent communication between upper and lower unit levels. This reflects the Forest Service tradition of decentralization of authority as much as possible. General rules of format, style, and content are provided by the Department of Agriculture.

Clearances are required in the Washington Office for press releases for (1) program and policy actions of broad public interest, (2) major research and application developments, (3) major symposia, workshops, seminars of national or international scope, and (4) Forest Service news announced through the Secretary's Office. The same types of controls are exerted by Regions, Stations, and the Area office over the units within their jurisdictions.

Administrative announcements, forest visitor information, or actions of a localized nature are issued by the lower units without higher level approval. If the actions involve other units, such as forests and research projects, or the higher level authority, such as the Region or Station, they will be cleared by the higher authority.

At all levels, the Forest Service issues about 6,000 releases a year. Rigorous central controls of clearance of all releases would be virtually impossible, and the public would not have immediate information on such things as fire danger, closures, or firewood policy when they needed them.

213. Question: What kinds of positions are affected by the reduction of 603 FTE's in administrative staffing by 1989?

Answer: While no particular segment of the GA organization has been targeted for reduction, the most significant declines are expected to occur in procurement and contracting, personnel management, and finance and accounting. Specific actions that affect these FTE reductions include consolidating administrative support organizations, colocating offices, eliminating selected offices, improving supervisor-employee ratios, contracting out, improving ratios of personnel-employees served, improving contracting officer-procurement ratios, automating administrative functions, redesigning organizations, sharing services, streamlining operations, and using advanced technology to enhance productivity.

214. Question: What is the total base number of FTEs from which these reductions will be made?

Answer: The total number of program support FTEs in 1985 is 4,826. The implementation schedule planned for the 1985-89 period is as follows:

The implementation schedule is:

1985	1986	1987	1988-89	Total FTE
-210	-245	-109	-39	-603

215. Question: What specific impacts do you expect?

Answer: To accommodate these staffing reductions, we will rely more heavily on shared services, which include distributive data processing, automated time and attendance reporting, and streamlined budget and attainment report processing.

216. Question: What are the management improvement initiatives you are implementing which will account in part for the proposed reduction of $482,000?

Answer: Colocating field office support and shared services centralizing, eliminating positions, streamlining work, automating processes, and consolidating positions are the primary management improvement initiatives. These actions accommodate planned staffing reductions and result in lower costs. We also plan to consolidate staffs in the Washington office.

The request for common services is $101,050,000, a decrease of $5,368,000.

217. Question: What is the basis for the reduced space needs which results in this decrease in funding?

Answer: The decrease in funding for space needs reflects OMB's assumptions about future space costs.

218. Question: What are the other Department costs that will decrease in FY 1987, offsetting the $1,111,000 increase in National Finance Center costs?

Answer: Decreases are based on a trend that began in FY 1986 which reflected the Department's reduced estimates for Working Capital Fund activities. These reductions total about $900,000, most of which is attributed to reduced computer center costs. The additional reduction is largely due to the removal of the Office of Management Reform from the Department's reimbursable programs.

INTERCHANGE

(P. 209.) A request of $5,000,000 is proposed for later submittal to implement the proposed Forest Service/BLM interchange.

219. Question: What is the status of this proposal?

Answer: The Administration's legislative proposal was delivered to the Speaker of the House and the President of the Senate on February 18. On March 5, the bill was introduced in the House by Congressmen Udall, Young, and Regula by request (H.R. 4303). It was introduced in the Senate on April 11 by Senator McClure by request (S. 2289). A Legislative Environmental Impact Statement documenting the agencies decision process was delivered to Congress in late February.

220. Question: What is the basis of your estimate of $7,100,000 in implementation costs for FY 1987? Provide a breakdown for the record.

Answer: The cost estimates are based on the actions proposed in the State Implementation Guides. We expect the Interchange to be fully implemented during a 3-year period, with costs occurring in each of the three years. Our estimated costs of the actions anticipated for FY 1987 are $7.1 milion. The estimated breakdown of FY 1987 costs is:

$4.5 million	Personnel related actions
1.2 million	Space related costs
.4 million	Telecommunications and ADP costs
1.0 million	Miscellaneous and other administrative costs
$7.1 million	

221. Question: Are additional implementation costs expected next year, or beyond?

Answer: We estimate total costs for the Forest Service and the BLM to fully implement the interchange to be $21-24 million over a 3 to 5 year period.

222. Question: What are the anticipated savings, in dollars, under your proposal, and when would they begin to show up?

Answer: We estimate savings for the Forest Service and the BLM to be between $53-56 million during the first 5 years. After full implementation, we estimate annual savings of $13-15 million. Savings will begin to accrue during the first full year of implementation.

223. Question: How are these estimates derived?

Answer: The savings estimates are also based on the actions proposed in the State Implementation Guides. Savings would result from the merger of offices located in the same community, restructuring field (sub-unit) boundaries to achieve optimum size and balance, and eliminating duplicate supervisory and administrative positions.

224. Question: You state the interchange will result in a decrease of 55 FTE's in FY 1987, which is reflected in the overall FTE ceiling. Where are these decreases reflected in the budget?

Answer: The estimated personnel savings associated with the anticipated FY 1987 Interchange actions is 55 FTEs. These decreases are included in the overall FTE estimates, but are not identified by budget activity.

Since all National Forest activities are represented on many of the lands proposed for the interchange, FTE savings would be attributed to all National Forest programs. While no specific estimates have been made, we would expect the FTE savings to be distributed to budget activities in a proportion similar to the funding of those activities on the affected units.

225. Question: What if the proposal is not enacted into law by 1987?

Answer: If the Interchange proposal is not enacted into law in time for implementation in FY 1987, the $5.0 million of implementation costs would not be needed.

UNOBLIGATED BALANCES

(P. 210.) The 1985 column shows an "unobligated balance restored" of $10,884,000.

226. Question: Please explain what this is.

Answer: The restoration of $10,884,000 to the National Forest System account was primarily due to four major actions:

1. Approximately $3.0 million was attributable to late billings from GSA for Standard Level User Charges (SLUC).
2. Approximately $2.5 million was due to late billings from United States Postal Service for postal charges.
3. Another $3.0 million was a result of States not billing on a timely basis for unemployment compensation.
4. Forest Fire Fighting (FFF) funds in the amount of approximately $2.0 million did not get into the obligation file until after 1984 yearend closing.

CONSTRUCTION

CONSTRUCTION OF FACILITIES

You are requesting $6,492,000 for fire, administrative, and other construction.

227. Question: Last year you listed Phase III of the Jacob Lake work center in Arizona as a project. What is the $311,000 for Jacob Lake Phase II included in this year's budget for?

Answer: There is a typographical error in our request for this project. The correct project name is Jacob Lake Phase IV. This is the final phase of the project. In this phase, we plan to construct a warehouse, a paint storage building, and a secure outside storage area.

228. Question: What is the justification for remodeling the Toiyabe Supervisor's office, for which $138,000 is requested?

Answer: The Forest Service exchanged an administrative site located in Reno, Nevada, for a site in Sparks, Nevada. The Reno site is located next to the Washoe County Hospital, and now belongs to the hospital. It will be used for hospital expansion.

The Sparks site includes an existing commercial style building. With remodeling, it will be suitable for the Toiyabe National Forest's Supervisor's headquarters. Until the exchange, the Supervisor's headquarters was located in leased facilities in downtown Reno, with some functions (fire and general warehousing, vehicle storage and inspections, and communications equipment basing) occurring at the Reno administrative site. The Sparks site will allow all headquarters operations to be consolidated at one location.

The Toiyabe National Forest Supervisor's headquarters is already occupying the Sparks site, even though it is not yet suitable for complete headquarters operations. The $138,000 will be used to provide office, storage, and warehouse space in the existing building at the Sparks site.

229. Question: $700,000 is requested for the Quincy Ranger District and Zone Engineering office. Is this a new facility, or replacement of an old one?

Answer: This is a new Forest Service facility that will be constructed on the site of a present 20-man barracks that is condemned and scheduled to be torn down. The offices are presently housed in separate leased facilities, having excessively high costs for the area and facility condition.

230. Question: Is this the total cost? Provide a more detailed justification for the record.

Answer: The $700,000 is the total estimated FA&O Construction cost for the new colocated offices. An additional $200,000 in FRP Construction funds are needed for an access road and parking. Combined, this brings the total estimated project cost to $900,000.

The funding will provide a 10,000 square foot office and expansion of the present sites water, sewer, and electrical systems to accommodate the new office. The office will house the Quincy Ranger District office and the office/work space for a Forest Zone Engineering Organization.

The colocation of these offices into a Forest Service-owned facility will result in an annual savings of $140,000 in leasing costs. The present Ranger District and engineering offices are located in two leased buildings totaling 16,240 square feet in size. They are too large for present organizational needs and cannot be partitioned for another lessee. The present Ranger District office is in a deteriorated condition caused by differential settlement problems at the site. The lessor has been unable to maintain the building to an acceptable standard. Neither of the present facilities are energy efficient because of the lack of adequate insulation and type of heating equipment. The move to the new planned energy efficient facility will save $20,000 annually in utility costs.

By colocating these offices at the work center site near the Forest Supervisor's office, administrative and clerical duties can be combined and vehicle and other supplies can be shared in a more productive manner at an estimated annual cost savings of $80,000.

In total, the move to Forest Service-owned facilities will result in an annual cost savings of $240,000 from current lease costs.

231. Question: You are requesting $624,000 for two ranger station barracks in Oregon. What will these by used for?

Answer: These barracks will be used to house temporary summer crews who will perform work in sale layout, silviculture, road location, fire management, and recreation on the Paisley District of the Fremont National Forest and on the Detroit District on the Willamette National Forest. At these locations adequate housing is not available from commercial sources. Forest plans support the need for these structures in the long-term management of these National Forests.

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232. Question: Will they replace existing barracks?

Answer: They will replace existing temporary housing (trailers) that have deteriorated and are beyond economic repair.

233. Question: What will be their capacity?

Answer: Paisley - 16 persons
Detroit - 45 persons

234. Question: In Michigan, you are planning to spend $265,000 to purchase an office in Sault Ste. Marie. What is this for?

Answer: We are presently leasing the building from the Sault Savings Bank of Sault Ste. Marie, Michigan, to house the Sault Ste. Marie Ranger District office. Although the arrangements of the lease have been satisfactory, Michigan law precludes the bank from leasing the property for more than 5 years. The $265,000 is to purchase the facility.

The facility consists of a 4-acre site and office building. The office has 2,250 square feet on the first floor and a large finished basement. The total useable area is 3,034 square feet, and there is attached four car garage. The facility is located on the Interstate 75 Business Spur at the junction with Mackinac Trail, on the south side of Sault Ste. Marie. The site is completly landscaped. All parking lots and drives are bituminous paved and lighted. The site has handicap accessibility.

The Ranger District is one of five districts of the Hiawatha National Forest. Its workload includes all activities related to the management of 244,000 acres of National Forest land. An analysis of the District's workload and organization shows a need for 2,570 square feet of office space.

235. Question: Why are you purchasing instead of leasing?

Answer: We are purchasing rather than leasing because purchasing is the most cost efficient alternative and the most beneficial to the Government over the long term.

Economic analysis shows relative cost effectiveness of the planned purchase over leasing over the next 25 years. Discounted cost to provide the needed facilities through leasing is $656,100. With an initial purchase cost of $265,000, the discounted costs for the planned action is $463,392. The comparison indicates a savings of about $192,708 over leasing in a 25-year period, using a discount rate of 10 percent.

236. Question: $170,000 is requested for an office land purchase and site preparation in Craig, Alaska. What does this involve?

Answer: About $95,000 of the $170,000 is for purchasing a 1.33 acre tract of land in Craig, Alaska, on which the Region proposes to construct a new office for the Craig Ranger Station. The current office is inadequate and poorly located for public access. The new site will provide easy access for the public. The balance of the funds are for site preparation prior to construction. The site preparation involves clearing, grading, and construction of parking facilities.

237. Question: Will there be additional costs?

Answer: Yes. Future costs for the remaining utility connections, landscaping, and office construction is estimated at $790,000.

ROAD CONSTRUCTION

The request for forest road construction is $178,485,000, a decrease of $9,720,000 from the 1986 appropriation and $1,627,000 from 1986 adjusted. The justification shows that 1,858 miles were constructed or reconstructed in 1985, compared to an estimate of 1,375.

238. Question: How were you able to do 35 percent more than you estimated?

Answer: Four factors are involved. The first is a significant change in policy and design standards regarding road construction and reconstruction. These changes, initiated in 1982, have resulted in fewer surfaced roads, less clearing, and less excavation. Unit costs were thus lower than projected in the initial program development which occurs 20 months prior to budget.

The second factor has been a weak construction economy in the timber regions. Bids received were very competitive and overall bids have been lower.

The third factor, and probably the most significant, is savings made in engineering costs. The engineering cost reductions are the result of the use of computer-aided survey and design which greatly reduces manpower requirements. The estimated FTE for 1985 was 4,177. The actual FTE was 3,711.

The fourth factor is a reduction in the augmentation of roads built by timber purchasers. As can be seen in the Forest Road Program Fund Breakdown (p. 236 of the Budget Explanatory Notes), there has been a relatively steady decline in the need for augmentation to build roads to a higher standard than that needed by a single purchaser for timber removal or contributions to offset road costs where the timber value was insufficient.

The end result has been an increase in total miles constructed and reconstructed. The majority of the increase in mileage has been in reconstruction which enables increased traffic for timber haul, protection of the investment, and/or reduced user costs.

Each additional road constructed, whether new or reconstructed, has been through all of the required National Environmental Policy Act processes and is in accord with the overall forest and resource plans.

239. Question: Was the increased mileage over your original estimate in new construction or reconstruction?

Answer: The increase was in reconstruction.

240. Question: What is the status of the expected extension and revision of the Highway Revenue Act, which has provided $50 million per year since 1982 for forest highway construction?

Answer: Two bills have been introduced before the 99th Congress: H.R. 4144 and S.2189. Both are titled the "Surface Transportation Reauthorization Act of 1986." Both bills continue to make funds available for the construction of forest highways, but raise the authorization from $50 million to $75 million annually. This increase, however, does not result in higher total authorizations. It is made available through reductions in other categories of the Federal Lands Highway Program.

You are requesting $4,341,000 for augmentation of PCP and PEP roads, down from $5,745,000 in 1986.

241. Question: Why are you expecting to need fewer funds for this purpose in 1987?

Answer: There are two reasons. The first is that the number of purchaser credit roads to be constructed in FY 1987 is reduced by 721 miles (-11 percent). This means, proportionately, fewer roads will be built to a higher standard.

The second reason is an anticipated stronger demand for timber resulting from increased housing starts and lower interest rates. The stronger demand produces higher bid rates and fewer "deficit sales" which require the addition of FRP funds to finance a portion of the road costs. (A further explanation of the use of augmentation is displayed on p. 233 of the Budget Explanatory Notes.)

242. Question: What portion of the timber sales program is represented by the situation described on p. 233, where the timber value is too low to provide the minimum return to the Treasury, and appropriated funds are used to finance a portion of the road costs?

Answer: An exact accounting is not available, but based on the amount expended for that purpose, no more than 5 percent of timber sales over $2,000 are augmented.

243. Question: What is the basis of your estimate for reconstruction in 1987 ($20,104,000, an increase of $6,219,000)?

FY 1987 is the second year in which the forest road program fund breakdown has been displayed in the FY 1987 Budget Explanatory Notes of the Forest Service. The format of the breakdown was developed, in conjunction with the General Accounting Office, at the request of the Senate Appropriations Committee, to enable better evaluation of the Forest Service's road construction program budget requests and to monitor and evaluate its accomplishment. The Forest Service also saw this as a positive and helpful way of displaying its budgetary needs.

First, and most important to understanding shifts in funds between the President's budget, allocated, and end-of-year obligations, is the fact that the forest road program is ancillary to the principal resource programs such as timber or recreation. It is not and cannot be a unilateral program.

Second, and because the road program is ancillary, road program formulation is integrated and dependent upon the levels of output or activity desired, anticipated or directed in the supported resource programs (i.e. timber, recreation).

Both the General Accounting Office (B-214182, February 14, 1984) and the Forest Service anticipated, and recognized, the need to make ". . . necessary adjustments for unseen developments, changing requirements, incorrect price estimates, wage rate adjustments, changes in internal situation, and legislation enacted subsequent to appropriations." At the same time, the Forest Service is keenly aware of the need to "keep faith" with the Congress and with congressional intent.

Annual program formulation is initiated by Forests and Regions 20 months in advance of the budget year and is based on overall resource program direction and policy. Several program levels are developed within an overall funding constraint for each level. Forest and Regional managers determine the level or amount of transportation development necessary to support the resource outputs projected at each level. Because the activities (such as planning, locating, surveying, and designing) within transportation development cover a 3-5 year period, the data used in the formulation is programmatic (total engineering support dollars and miles or new construction dollars and miles, as an example) rather than specific project level detail, since final costs and specific projects are in various stages of completion. Any refinement of costs beyond this level of estimating would be guesswork and not cost effective. When a program level is finally selected, that is the data which appears in the Budget Explanatory Notes (which is normally presented 9 months prior to the beginning of the Budget Year).

During the period after the Budget Explanatory Notes appear (and prior to Congressional action), each Forest Service Region updates its plan of work based on its tentative overall allocation. This update reflects their latest estimates for the work, plus any changes such as claims, modification of timber sale boundaries, appeals, or public input.

This update, plus changes directed in the appropriations bill or furthering resolution, are what appear in the "Allocated Based on Appropriation" column of the Budget Explanatory Notes for the previous fiscal year (in this case, FY 1986).

Events and actions precipitating change from President's budget request to allocation based on appropriation for FY 1986:

- Federal Timber Contract Payment Modification Act

  President's Budget

  Assumption - 10.6 billion board feet to be returned.

  Actual - 9.7 billion board feet returned.

  Allocation based on appropriation

  Assumption - 2.6 billion board feet to be reoffered in FY 1986.

  Actual - 3.25 billion board feet reoffered.

- Congressionally directed reduction of $7.6 million in the timber sales program

  President's Budget

  Assumption - No reduction anticipated

  Actual - $7.6 million decrease.

- Congressional increase in recreation facility rehabilitation

  Recreation facility rehabilitation program increased by $4.5 million.

  Assumption - No additional road reconstruction anticipated.

  Actual - An additional $1.3 million road reconstruction work required to support Forest Service selected projects.

- Congressional direction to construct roads within Clear Creek Recreation Area (Alabama)

  Assumption - No "add-ons"

  Actual - $1.4 million increase in new road construction (before Deficit Control Act of 1985)

- FY 1985 final estimated end-of-year obligations in forest road program fund breakdown activities

  Since this is the best experience record, "allocations" are modified to reflect current and expected costs.

  Example: Overall full-time employment estimated at 4,000 for 1985, actual reported was 3,711.

- Congressional direction to limit total road construction and reconstruction to 7,682 miles for all three programs: Forest Roads, Purchaser Credit, and Purchaser Elect.

  Assumption - No limitation on miles needed to sustain 10.7 BBF output in timber volume in outyears.

  Actual - Total mileage limited to 7,682, timber harvest volume 11.2 BBF in FY 1986 expected.

- Congressional direction to reduce overall road construction and reconstruction unit costs by 5 percent from FY 1985 by whatever means.

  Assumption - Overall average unit costs (after inflation) were declining at a satisfactory pace. No program changes needed.

  Actual - Required 5 percent overall unit cost reduction. Shift projects, defer and modify contracts, modify proposed expenditures, all necessary to accommodate unit cost reduction and maintain capability to sustain outyear timber volumes at 10-12 BBF.

  All of this was undertaken prior to the additional reduction of $8 million in the Forest Road Program directed by the Deficit Reduction Act.

- Dismissal of law suit filed by the National Wildlife Federation which had the potential to stop road construction in Montana and northern Idaho. (This is a more recent action.)

  Assumption - Road construction would be deferred where legal question was unsettled.

  Actual - Road construction may proceed where National Environmental Policy Act (NEPA) procedures have properly been completed at Forest Level.

Since there has been significant interest and concern about the changes, we have recently asked our Regions to reaffirm and/or correct the data which is used to construct the "allocated" fund column of the forest road program fund breakdown which appears in the Forest Service Budget Explanatory Notes (page 236).

The revised FY 1986 allocation to those listed on page 236 of the Explanatory Notes follows:

FY 1986
(dollars in thousands)

	President's Budget Request	Allocated Based on Appropriation	Allocation Adjusted for DCA 4.3%	Allocation Update May 15, 1986	Difference Between Allocation Adjusted and Update + or -	
PCP and PEP	(213,211)	(130,796)	(129,781)	(117,817)	-(11,964)	1/
FRP Engineering:						
Planning and Management	36,049	32,151	30,769	37,706	6,937	2/
Preconstruction engineering	54,495	46,125	44,142	42,679	(1,463)	3/
Construction Engineering	23,854	23,254	22,254	22,133	(121)	3/
Subtotal	114,398	101,530	97,165	102,518	5,353	
PCP and PEP Augmentation	7,010	5,745	5,498	2,873	(2,625)	4/
Subtotal	7,010	5,745	5,498	2,873	(2,625)	
Forest Roads and Bridges Constructed by the Forest Service						
Planning and Management	16,207	22,381	21,419	21,007	(412)	2/
Preconstruction Engineering	10,528	7,835	7,498	7,791	293	3/
Construction Engineering	7,018	6,687	6,399	5,770	(629)	5/
Construction	24,493	30,142	28,846	20,679	(8,167)	6/
Reconstruction	15,908	13,885	13,287	20,677	7,390	7/
Subtotal	74,154	80,930	77,449	75,924	(1,525)	
TOTAL	195,562	188,205	180,112	181,315	1,203	8/

FOREST ROAD PROGRAM FUND BREAKDOWN - FY 1986
ALLOCATION UPDATE MAY 15, 1986

Explanation of adjustments and changes between Allocation Adjusted for Deficit Control Act and Allocation Update of May 15, 1986.

GENERAL

I. The Allocation Based on Appropriation (Column 2) was prepared at the Washington Office level using:

1. Regional program data based on an August 1985 update.
2. Reported FY 1985 actual expenditures data (December 1985).
3. Congressional direction (December 19, 1985):
    - a. Decrease road unit costs from FY 1985 approved program by 5 percent nationally and in each Region.
    - b. Limit total road construction and reconstruction mileage to 7,682 miles.
    - c. Decrease support to the timber program by $7.6 million.
    - d. Construct Clearcreek Recreation Area Roads (+$1.4 million).
    - e. Increase timber sale reoffer volume from 2.6 billion board feet (BBF) to 3.22 BBF (all increases in Washington and Oregon).

II. The Allocation Adjusted for the Deficit Control Act (Column 3) was a straight forward prorated -4.3 percent reduction in each item listed in the FRP fund breakdown. This method was employed for the lack of any better data.

III. The Allocation Update of May 15, 1986, (Column 4) reflects an actual update of all data by each Region.

IV. Explanation of Differences (Column 5)

1/ -$11,964. Both reduced mileage and unit cost of construction are reflected in this decrease. This is in accordance with changes in policy and design standards implemented in 1982 and the directed 5 percent unit cost reduction.

2/ +$6,937, -$412. Regions indicate costs of planning support activities and fixed costs cannot be reduced at the rates anticipated by WO program managers.

The estimated total of Planning and Management for PCP/PEP Engineering Support and Roads and Bridges constructed by the Forest Service in the update for FY 1986 has been reduced by $4.4 million (7 percent) from the FY 1985 expenditure.

3/ Update of costs. These are final planned adjustments.

4/ -$2,625. Reflects overall decrease in PCP/PEP mileage and unit cost.

5/ -$629. Reflects decreased appropriated construction activity.

6/ -$8,167. There are two major causes for shift from construction to reconstruction.

1. Program amount ($1,843) for the construction of Gaskey-Orleans Roads, Six Rivers National Forest, R-5, has been held up by appeal to Supreme Court. Funds have been shifted to high priority reconstruction projects.

2. The August 1985 program update in R-9 incorrectly displayed the total road construction and reconstruction program ($7,468) as new construction. This is now correctly displayed for R-9 as $3,018 for construction and $2,674 for reconstruction. Reflects updated priorities and reduced fund availability.

7/ Reflects changes (+7,390) and other adjustments as a result of the directed road unit cost reduction and Deficit Control Act decreases.

8/ +$1,203. The difference between the amount appropriated and adjusted for the DCA ($180,112) and the Allocation Update ($181,315) is carryover from FY 1985. The carryover amount was not known at the time publication of the Budget Explanatory Notes in January. This amount (less than 1 percent of the FY 1985 Appropriation) is normal for yearend.

In setting up the FRP Fund Breakdown, GAO directed the inclusion of carryover in Allocated Based on Appropriation.

Bill language was included in the 1986 Continuing Resolution, as proposed by the Senate, directing the Forest Service to reduce road costs by 5 percent in each Forest Service region in 1986.

244. Question: How do you intend to accomplish this directive?

Answer: Each region was provided with a "target" unit cost for FY 1986 which is equal to 95 percent of their approved FY 1985 program.

Essentially, the "target" formula is the sum of the Forest Road Program (FRP), Purchaser Credit Program (PCP), and Purchaser Elect Program (PEP) dollars divided by the total miles to be constructed and reconstructed via all three programs. This means:

$$\frac{\overset{\text{FY 1985}}{.95\ (\text{FRP} + \text{PCP} + \text{PEP})}}{\text{Total Miles}} = \frac{\overset{\text{FY 1986}}{(\text{FRP} + \text{PCP} + \text{PEP})}}{\text{Total Miles}}$$

A monitoring program has also been set up to periodically review regions' expenditures and outputs.

All regions have indicated that they expect to achieve their targets.

245. Question: Do you have an estimate of anticipated savings from this effort? How will these saving be applied?

Answer: "Savings" made in the Purchaser Credit and Purchaser Elect Programs are not available for any other use. Therefore, they will simply reduce outyear requests for additional authorization.

In the case of forest road program (FRP) funds, the Gramm-Rudman-Hollings Deficit Control Act reduced FRP funds by $8.1 million from $188.2 million to 180.1 million. This reduction virtually eliminated any opportunity for savings. However, any "savings" which do arise are normally put to high priority road reconstruction projects.

PURCHASER ROAD CREDIT

The request for a purchaser credit limitation in 1987 is $154,321,000.

246. Question: How is this number arrived at?

Answer: The $154.3 million estimate is derived from regional input. Each region estimates the cost and mileage to be constructed or reconstructed based on the volume of timber to be sold at a given program level. This estimate must be developed some 20 months prior to the beginning of the budget year and is based on the then current unit cost and road densities, since neither specific timber sales or road location and design are complete. The actual dollar amount will vary with the final timber sold and the final estimated cost of roads included in the timber appraisal. Weak or strong market conditions for timber and road construction as well as inflation or deflation will also affect the actual amounts.

In the recent past, changes in road design standards (which have reduced unit costs), a weak timber market, and reduced inflationary trends have significantly reduced expected obligations for purchaser credit.

247. Question: At this point, are you expecting any carryover of prior year's limitation authority to be available in 1987? If so, how much?

Answer: Yes. Assuming the revised estimate for FY 1986 ($107.9 million) is valid, we will enter FY 1987 with a carryover of $279.7 million.

248. Question: What has been the expenditure to date this year under the existing authority?

Answer: We do not have an accounting of the obligations to date for FY 1986. However, only about 20-25 percent of the timber sale offering is made in the first half of the fiscal year. Therefore, we would estimate about $25 million obligated to date.

TRAIL CONSTRUCTION

The request for trail construction is $4,976,000, a decrease of $2,057,000 from the 1986 appropriation and $1,755,000 from 1986 adjusted.

249. Question: What is the rationale for this decrease, particularly in light of the expanded wilderness system?

Answer: The reduction is part of the overall effort to manage the budget deficit problem. Trail construction can continue to be deferred.

250. Question: What is the backlog of needs, particularly related to wilderness and to prevention of resource damage?

Answer: We estimate our total trail rehabilitation needs are around $100,000,000. Trail construction/reconstruction is 85% of that need or $85,000,000. We don't have data to indicate how much of that is in wilderness, but we estimate that approximately $20,000,000 is needed for trail construction/reconstruction in wilderness. Most of the work in wilderness would be reconstruction. The entire $85,000,000 trail construction/reconstruction need is related to resource protection, trail safety, and maintaining the quality of the trail experience. Volunteers continue to help meet these needs.

LAPSED FUNDS

251. Question: (P. 243.) You show an unobligated balance lapsing of $74,215,000 in 1985. Please explain.

Answer: The word "lapsing" is a misnomer in this situation. These are not lapsed funds. The $74,215,000 was the deobligated balance of Timber Purchaser Road Credit funds (account 2263). These funds were transferred out of account 2263 into the 1103 Constructuion account. However, when displaying account 1103 on the Program and Financing Summary, these funds were identified as "lapsed" in order to make the account balance with the Treasury Combined Statement.

LAND ACQUISITION

(P. 248.) The request for land acquisition is $3,206,000, compared to $28,130,000 in 1986 ($26,920,000 adjusted).

252. Question: If you were able to have a program totaling about $30,000,000, what would be your priorities? Provide a listing for the record.

Answer: The attached table indicates the areas that would be the highest priority for a $30,000,000 program. However, such a large acquisition program would require comparable budget offsets to meet the deficit target for FY 1987. Otherwise these funds would automatically be reduced by sequestration actions.

$30 Million L&WCF Program

Project	Acres	Cost ($1,000)
Sawtooth National Recreation Area	540	2,000
Oregon Dunes National Recreation Area	570	800
Other High Priority National Recreation Areas	500	1,000
Appalachian Trail	2,500	1,500
Lake Tahoe Basin	400	7,000
BWCAW	1,500	2,000
Flathead Wild & Scenic River	500	1,000
Eleven Point Wild & Scenic River*	6,260	2,200
Other High Priority Wild & Scenic Rivers	500	1,000
Wilderness Inholdings	3,500	2,000
Endangered Species Habitat	3,200	2,000
Composites and Inholdings**	8,000	4,000
Acquisition Management	--	3,500
Total	27,970	$ 30,000

*This will allow the purchase of the last remaining property to be acquired on the Eleven Point Wild & Scenic River in Missouri.

**Because of the poor ownership pattern on the Wayne National Forest, it is anticipated that approximately a fourth of these funds would be used on the Wayne.

OTHER APPROPRIATIONS

(P. 252.) The request for acquisition of lands for National Forests, Special Acts is $966,000, an increase of $189,000.

253. Question: Why is an increase being proposed in this account?

Answer: An increase is proposed in this account primarily because of the increased value of the lands proposed to be acquired.

254. Question: Are there additional receipts available that could be appropriated for purposes of this program?

Answer: Yes, there are receipts already available in this account to cover an additional $189,000 appropriation for this program.

(P. 254.) You are requesting $895,000 for Acquisition of Lands to Complete Land Exchanges, an increase of $875,000.

255. Question: What is the basis of this increase?

Answer: With the requested increase, the Forest Service can purchase 522 acres more than the 30 acres planned for FY 1986. Of the $895,000 requested, $835,000 has already been collected and deposited in a special account for purchase of replacement lands under the Sisk Act of December 4, 1967. The balance of the request ($60,000) is based upon expected collections under Sisk Act authority during FYs 1986 and 1987.

(P. 259.) There is no request for a Youth Conservation Corps program in 1987.

256. Question: What is the source of funds for the program you are carrying out in 1986?

Answer: All funding available to the Forest Service may be used to finance the YCC program. Examples are National Forest Systems, Knutson-Vandenberg, Reforestation Trust Fund, Brush Disposal, and Research funding. The type of work determines which funds will be used.

257. Question: Could the program be continued in 1987, using this same source of funds? Would it be worthwhile?

Answer: We do not recommend funding YCC in FY 1987. Even though it is a program that gives young adults the opportunity to work and learn in an outdoor environment, we believe that employment training programs specifically targeted to disadvantaged youth should have a higher priority within the President's budget.

(P 261.) The Working Capital Fund is estimated at $92,611,000 in 1987.

258. and 259. Question: What is the reason for the decreases in the fund in 1985 and 1986, compared with last year's estimates, which were $99 million in 1985 and $96 million in 1986? Does this reflect decreasing activity?

Answer: Yes. Reduced activity in our resource programs results in a decreased need for WCF equipment. Operating costs decreased because of fewer people, fewer miles driven, and lower fuel prices. In addition, the useful life of rolling stock has been prolonged in many cases reducing replacement costs.

260. Question: (P. 262.) The 1985 column shows an unobligated balance lapsing of $3,895,000. Please explain.

Answer: Obligations on old accounts, which have expired, are being deobligated, and those deobligations are being returned to Treasury. We are endeavoring to close the books on some of these old accounts.

TONGASS TIMBER SUPPLY FUND

261. Question: What is the status of your report under Section 706(b) of ANILCA?

Answer: The status report required by Section 706(b) of the Alaska National Interest Lands Conservation Act was delivered to the Chairman of the House Interior Committee and the Chairman of the Senate Energy and Natural Resources Committee on April 14, 1986.

262. Question: What other funds are provided for the Tongass National Forest in other parts of the Forest Service budget? Provide a breakdown by line item and purpose for the record.

Answer: Funding within the President's budget for FY 1987 has not been disaggregated to the Forests at this time, therefore, funding to the Tongass National Forest in FY 1986 is displayed. Funding in FY 1986 for the Tongass National Forest, in addition to the Tongass Timber Supply Fund, includes the following:

FY 1986 Funding -Tongass National Forest
($ in thousands)

Forest Fire Protection	
Program Administration	$170
Minerals Management	$611
Administer minerals exploration, development, and reclamation, 593 cases.	
Real Estate Management	$177
Administration of nonrecreation special-use permits, administration of land status records and response to State and Native land selection proposals.	
Land Line Location	$323
26.8 miles of property boundary location.	
Facility Maintenance	$196
Maintenance of general purpose administrative facilities.	
Cooperative Law Enforcement	$ 30
Fund cooperative agreement with Alaska State Troopers.	
Road and Trail Maintenance	
Road Maintenance	$855
2,288 miles of road	
Trail Maintenance	$ 42

Timber Sales Administration & Management $99
Preparation and administration of beach log salvage and free use timber.

Recreation Use

Recreation Manasgement	$1,363
Wilderness Management	438
Cultural Resource Management	161

Wildlife and Fish

WL&F Management Support	$969
Wildlife Habitat Management 155 acres, 4 structures	$75
Fish Habitat Improvement 35 acres	$12
Anadromous Fish Habitat Improvement 1,290 acres, 49 structures	$1,074

Soil, Water, and Air Management

Program Administration	$388
Soil and Water Improvement 20 acres	$18
Soil and Water Inventories 280,000 acres	$691

General Administration $721
Administrative Support to other programs

Construction

Recreation Construction $166
Recreation site rehabilitation-critical health and safety needs.

FA&O Construction $110
General purpose construction/rehabilitation-critical health and safety needs.

Road Construction $1,524
Bridge replacement and recreation site parking lot rehabilitation.

Trail Construction $94
6 miles construdlife and Fish

Permanent Appropriations

Salvage Sale Fund $30
Preparation and administration of the salvage component of the timber program.

Brush Disposal $59
Activity fuel treatment on 139 acres.

Operation and Maintenance of Quarters $215
Maintenance of government housing facilities.

Trust Funds-Cooperative Work
Coop Work-Forest Service (KV) $1,014
Reforestation 802 acres, TSI 274 acres, and wildlife & fish habitat enhancement.

Coop Work-Other $167
Recreation cabin maintenance and administration of cooperative agreement with tour bus company (Granger-Thye Act).

Total funds excluding Tongass Timber Supply Fund $11,792
Purchaser Road Construction 1/ $ 6,055
89.6 miles construction/reconstruction.

1/ This is a funding limitation and not actual appropriated funds within the budget allocation.

FLIPS

(P. 335.) You are planning to spend $14,900,000 on FLIPS in 1987, compared to $23,719,000 in 1986.

263-264. Question: How will the funds not needed for FLIPS in 1987 i.e., the reduction of about $9,000,000, be used? What additional activities will be accomplished with these freed-up funds?

Answer: The President's budget request for the Forest Service was predicated on the need for $14.9 million for the 1987 portion of the phased implementation plan for the FLIPS system. The phased implementation is over an eight year period with the first four years bearing the heaviest investment for equipment. The last four years of the planned implementation will be less each year as systems are put in place at each site. The phased implementation and budget has been followed with adjustments in funding as agreed to through consultation with Congress.

Since the $14.9 million was planned and submitted as part of the President's budget, there are no funds freed up to be applied to other activities.

In January, 1985, the Agriculture IG issued a report on FLIPS, which included 16 recommendations to the Washington Offices.

265. Question: Have you responded to or implemented these 16 recommendations? Provide a summary of your responses for the record.

Answer: Of the 16 recommendations, IG has accepted the Forest Service corrective actions on all but recommendation 15, which concerns a base line risk assessment on security measures. The risk assessment will be complete by August 1986. Accomplishing this assessment will complete the corrective actions necessary to close the IG report. A summary of how the Forest Service responded to the 16 recommendations follows.

Recommendation 1: Develop and implement a centralized software library for all systems that are run on the FLIPS equipment.

Recommendation 2: Establish procedures to make sure system users are required to update and query the software library.

Recommendation 3: Develop mandatory documentation standards so all systems included in the library are fully documented and easily transferable and usable among units.

Response to Recommendations 1, 2, and 3: The Chief has issued directives for National Systems. The software library and distribution process that has been set up ensures that updates are received by all sites with Data General systems. In addition, software updates are required to be applied to the systems. The directives require that software developers at all levels of the organization use the information structure to become aware of what software is available on the system before beginning any application development.

As part of the information structure, the Forest Service is also setting up a library in which software from all levels of the organization can be included. It will be management's responsibility at the local level to evaluate the usefulness of local software for inclusion in such a library. In addition, managers will be responsible for ensuring that the library is reviewed before any development is initiated. The library of appropriate information relating to local software would be distributed as part of the distribution process. The information structure provides the capability for users and system developers to view what software is available as well as browse through system documentation. While this software will not be maintained in the same manner as national systems, it will be available to all locations.

Recommendation 4: Determine what National systems will be operational on the FLIPS and make sure those systems are purchased or developed under National direction and local users are required to implement and use these systems, as appropriate.

Response: The Chief has issued directives on national systems. The Associate Deputy Chief for Administration (Systems) provides national leadership in software management. To strengthen this area, the Forest Service established a special task group of Washington Office and field people to address issues related to the acquisition, development, and maintenance of national systems. The task group has defined objectives, policy, responsibilities, and a structure for management and control of software in our distributed information processing environment. To assure strengthening of software management, the Chief will approve all acquisition of the following categories of mandated national software:

1. Text processing
2. Electronic mail
3. Data entry and edit development systems
4. General data base management
5. Data base reporting
6. Spreadsheet processing
7. Project management
8. Calendar
9. Telecommunications
10. Business graphics

Recommendation 5: Identify the minimum skill requirements for the various configurations of the FLIPS hardware.

Recommendation 6: Require each field unit to develop staffing for the FLIPS that will meet the skill requirements defined by the WO .

Recommendation 7: Require that assigned forest personnel attend classes related to operation and maintenance of the FLIPS.

Response to Recommendations 5, 6, and 7: Action on this recommendation is complete. An Agency-wide analysis of technical skills needed to operate and maintain FLIPS has been completed for each site.

The Forest Supervisors' Offices, the Regional Offices, Station and Area Offices, and the Washington Office have most of the technical skills in place to operate and maintain the Data General systems. Some Ranger District offices and research project locations currently lack some of the skills which are necessary to maintain and operate the system. The existing skills gap has been defined, and a major training effort is underway to narrow the gap.

The design of the distributed processing approach in the Forest Service included a system where the employees could be trained to handle the day-to-day operation of systems, rather than hiring additional employees. This design is still valid. Positions to handle the workload are being created through position management and through an extensive training program. The introduction of distributed processing systems at our smaller sites has necessitated a redistribution of the skill mix. Vacant positions have been redefined and filled with technically skilled people. Positions have not been added as a result of acquiring the Data General systems.

As of March 1985, 137 courses have been taken by 2,706 Forest Service employees through training acquired under the Data General contract. In addition, each Region and many Forests have initiated a "train the trainer" program and are currently conducting their own training. Through this training program, all employees have access to Data General system training, ranging from general use of the system to operations and maintenance. Management training, as well as technical training, is emphasized through this program.

Recommendation 8: Develop FLIPS life cycle cost estimates for the FLIPS based on the 1983 cost estimates provided to the House Appropriations Committee.

Recommendation 10: Identify all cost elements which are being developed outside the accounting system and describe the method being used to develop these costs.

Response to Recommendations 8 and 10: FLIPS life cycle cost and benefit estimates were updated and provided to the House and Senate Appropriations Committee in January 1985. Actual costs, revisions in life cycle cost and benefit estimates, and implementation progress reports are submitted to the committees.

All FLIPS cost elements are included in the Forest Service accounting system. In addition, all Data General contract costs are maintained at the national office. Data General procurements are centralized in one office at the national level.

Cost information is also maintained by each site as well as the national office. The basic principles for identifying cost elements were adapted from the Federal Government Accounting Pamphlet Number 4, Guidelines for Automatic Data Processing Costs, U.S. General Accounting Office (1978). Benefit information will be reported in two ways: actual dollars and employee savings related to installation of the Data General equipment and project examples which demonstrate how a more efficient and/or effective job was done through the use of distributed processing capabilities. This will also include examples of areas where costs were not incurred because of the availability of distributed processing.

A copy of the cost/benefit information provided by local managers for FY 1984 and 1985 estimates was provided to OIG and to the Subcommittee on Interior and Related Agencies, Committee on Appropriations. Since reporting to the IG, the Forest Service has directed 15 National Forests, including their Ranger Districts, to acquire more precise benefit information. Baseline workload data have been collected, and follow-up surveys are being completed in early 1986. These data will be used to update the benefit-cost information.

Recommendation 9: Include FLIPS life cycle cost in all future financial reports to Congress and agency management.

Response: Life cycle costs are reported to Congress and agency management through progress reports.

Recommendation 11: Review procedures being followed to code the FLIPS cost data into the accounting system and establish controls to make sure complete cost data is recorded in the system.

Recommendation 12: Develop procedures to identify and incorporate the FLIPS cost data not originally recorded in the system.

Response to Recommendations 11 and 12: The collection and control of cost/benefit information is being directed to the Associate Deputy Chief, Administration. Oversight and control is provided by this position. Procedures are in place to capture and validate cost information.

Recommendation 13: Develop an agency-wide ADP security plan in conformance with Department Manual DM 3140-1.

Recommendation 15: Classify the FLIPS facilities in accordance with DM 3140-1 and take action to ensure that required procedures are followed.

Response to Recommendations 13 and 15: The Forest Service Information Systems Security Plan was sent to the IG on December 30, 1985. This plan includes Forest Service approach to risk assessment which defines and develops a set of minimum standards as part of a baseline risk assessment. All Data General sites will utilize the baseline assessment to identify sensitivity of information and vulnerability to threats to determine the facility type. This is based on guidance in Department Manual 3140-1, which advises that determination of facility type be based on the actual functions performed by the facility.

Our field units are in the process of reviewing the Information Systems Security Plan. At the same time, we are structuring the baseline risk assessment. After completion of the baseline assessment, each unit will complete a site specific analysis which will determine the security requirements for each facility.

Recommendation 14: Conduct training sessions to inform Forest Service personnel of the Privacy Act requirements regarding automated systems.

Response: The Chief has issued directives specifying the responsibilities at various levels of the organization as well as for each employee. Part of this responsibility is the awareness of the need for information systems security.

Recommendation 16: Conduct a study to determine which forests and/or Ranger Districts (RD) can share the FLIPS equipment. Complete this study prior to purchases in the third year of the contract. Require the identified offices to consolidate their requirements and procure the FLIPS configuration needed to meet their combined need.

Response: The Forest Service has colocated several offices on the same system. We will continue to evaluate sites as we implement the distributed processing system. We do not plan to restudy them on a national basis as we already have sufficient data to make decisions. Configuration and capabilities are reviewed by the Associate Deputy Chief and his staff prior to purchase.

LAND MANAGEMENT PLANNING

(P. 338.) You are planning to spend $21,568,000 on land management planning in 1987.

266. Question: You estimated 54 of 56 final plans would be under appeal in FY 1986. Have any of these been resolved?

Answer: As of May 2, 1986, we completed 36 final plans. One was not appealed and nine have had all appeals resolved. There have been a total of 150 appeals on these 36 final plans, of which 57 have been resolved.

267. Question: Assuming these plans are eventually implemented, how will you go about integrating the plans with budget requests and requirements?

Answer: The program budget process uses much of the same information generated through long-range planning, but it is much more specific and focused on a 1-5 year time period. Annual program proposals and projects must be consistent with the plan. Implementation of the forest plan is guided by the management requirements contained in the forest plan.

268. Question: When do you expect to begin this process?

Answer: The implementation process has already begun. Forest plans may be implemented 30 days after publication of the Record of Decision for management of the National Forest in the Federal Register. The time needed to bring all activities into compliance with the plan will vary depending upon the type of projects. Appeals do not prevent implementation of the forest plan, although a "stay" of specific activities may be granted upon request.

269. Question: What is the impact if not enough funds are made available to carry out the approved plan?

Answer: Forest plans are 10-year direction documents, and are implementable over the entire planning period (10-15 years). Activities and projects that cannot be implemented as scheduled in the plan due to budget restraints would be delayed or rescheduled until a later time in the planning period.

270. Question: Will the plan then have to be formally modified?

Answer: If the budget changes significantly over a period of several years, the plan itself may have to be amended.

QUESTIONS SUBMITTED BY
CONGRESSMAN NORMAN DICKS

TIMBER SALES PROGRAM

271. Question: How much net merchantable sawtimber is under contract in Region 6 at this time? (Please explain how you arrive at this estimate).

Answer: The amount of sawtimber volume under contract as of March 31, 1986 is 10.7 BBF, after turn-back volume adjustments as a result of the Federal Timber Contract Payment Modification Act. This volume estimate was obtained from the Region 6 Timber Sale Accounting system records which show the current status of all volumes on all existing timber sale contracts.

272. Question: How much more timber currently under contract in Region 6 does the Forest Service estimate will be defaulted?

Answer: It is difficult to predict what timber operators will do with their timber sales. Most of the timber sales have a closing date of September each year. As of September 30, 1985, Region 6 had about 345 million board feet of defaulted timber sales, of which about 136 million has been resold. These sales must be reoffered for sale within 6 months to meet contractual requirements.

Region 6 is expecting about 215 million board feet of default in FY 1986. The total amount expected for FY 1987 through FY 1990 will be about 150 million board feet per year. A large amount can be expected at or near the end of the 5 - 7 year extension of contracts in FY 1991, though the default rate could fall off due to improved lumber markets. The average stumpage of buyback sales was about $330 per thousand board feet, while the average stumpage rates for sales still under contract are between $220 and $300 per thousand board feet.

273. Question: How does current volume under contract in Region 6 compare with previous years?

Answer: The current level of volume under contract of 10.7 BBF compares to a volume of 10.3 BBF in December 31, 1984.

274. Question: If you remove your estimate of total volume that will be defaulted from the volume under contract figure, how long has it been since there was so little volume under contract?

Answer: The same as above. The defaulted volume must be reoffered for sale within six months by contractual requirement. Most of this defaulted volume is repurchased by timber operators within the same year as defaulted.

275. Question: How much softwood lumber and plywood does the Forest Service estimate will be consumed in the U.S. during calendar years 1986 and 1987.

Answer: About 44 billion board feet of softwood lumber and 20 billion square feet of plywood will be consumed each year.

276. Question: How does this estimate compare with the estimates of other government and industry economists?

Answer: While based on information from other agencies, the Forest Service estimate could be considered a little conservative as compared to industry projections.

277. Question: How does it compare with previous years?

Answer: It is anticipated that consumption will be up one or two percent in 1986 and 1987 as compared to the average consumption in previous years.

278. Question: What is the current sustained yield level (programmable harvest) of net merchantable sawtimber nationally?

Answer: The current potential yield from the National Forests is 14.5 BBF, of which 12.4 BBF is sawtimber. This has been adjusted for all of currently designated wilderness areas created by Congress as of December 1984. The National Forests are currently in the process of preparing their land and resource management plans. We expect these final plans to express the potential yield in terms of allowable sale quantities.

279. Question: In Region 6?

Answer: The potential yield from the National Forests in Region 6 is currently 5.969 BBF, of which 5.094 BBF is sawtimber. The expected allowable sale quantities which will be a restatement of potential yield will be adjusted by new environmental concerns when the final forest land and resource management plans in the region have been approved.

280. Question: With all the buyout and defaulted timber volume returned to the Forest Service, what is the backlog of net merchantable sawtimber that could be sold and not exceed the current sustained yield level nationally?

Answer: We have no backlog of net merchantable sawtimber that could be sold. Also, we have no direct control over the amount of sawtimber that is harvested annually. Major harvest decisions are made by purchasers. We expect a harvest level of 11.2 billion board feet (BBF) in 1986, about 3.3 BBF below the national potential yield level.

281. Question: In Region 6?

Answer: We expect a harvest of 4.75 BBF in FY 1986, about 1.2 BBF below the sustained yield level.

282. Question: How are mills in the NW going to participate in the boom in lumber and plywood demand if they can't obtain more Forest Service timber?

Answer: In Region 6, mills already have a large amount of uncut sawtimber under contract (10.7 BBF as of 03/31/86), sufficient to satisfy the demand during a boom in lumber and plywood markets. Plans call for offering about 4.2 BBF each year. If the annual harvest level is 5.4 BBF (the highest harvest level observed since 1965), it would require 13.4 years to reduce the remaining volume under contract to zero. If one-third of all uncut volume was uneconomic to harvest at current year prices and defaulted, and all new volume was harvested at the levels shown above, the uncut volume would last about 10 years.

283. Question: How much of the U.S. total softwood lumber consumption has been produced by southern mills, western mills, and Canadian mills in terms of volume of percentage of market share, annually for the period 1975-85?

Answer: Data for the southern mills in the late 1970s and early 1980s are not available, but it can be assumed that most of the remaining volume is predominantly located in the South. Data for 1984 and 1985 are not available for most regions at this time. The following estimates of softwood production are compiled by the Bureau of Census and some major softwood industry associations.

Total U.S. Consumption of Softwood Lumber (BBF)
Volume by Regional Areas

Year	West	South	Canada	Total
1975	18.6	7.0	5.7	31.3
1976	20.9	8.1	7.9	36.9
1977	21.6	9.7	10.3	41.6
1978	21.4	10.9	11.7	44.0
1979	20.9	10.6	11.1	42.6
1980	16.9	9.4	9.5	35.8
1981	N/A	N/A	9.2	32.7
1982	15.1	8.3	9.1	32.5
1983	19.7	10.1	11.9	41.7
1984	N/A	N/A	13.2	42.9
1985	N/A	N/A	N/A	N/A

(N/A means Not Available)

284. Question: Have we ever had a time when demand in wood products was higher in the U.S. and when less Forest Service timber was under contract nationally?

Answer: Nationwide demand since World War II has been in the 30-50 billion foot range. Forest Service volume under contract did not begin to accumulate in significant amounts until the late 1970s. Most peak demand periods such as the mid 1950s and early 1970s were supplied from private land holdings and Forest Service timber under contract was at lower levels than we see today. This current period of increased demand and less volume under contract must be viewed in the light of nearly a decade of annual increases in the inventory of sold but uncut timber followed by the Federal Timber Contract Payment Modification Act. In that sense the current situation is unique, but it does not necessarily follow that the volume under contract must again be increased.

285. Question: In Region 6?

Answer: Region 6 has experienced similar accumulations and reaction to increased demand as the national program indicated above.

286: Question: What are your full-time and part-time timber sale preparation staff levels currently and during the past 10 years nationally?

Answer:

Year	FTEs
1986	5,300
1985	5,478
1984	5,617
1983	5,108
1982	5,621
1981	5,646
1980	6,042
1979	6,212
1978	4,477
1977	4,307
1976	4,497
1975	4,230

287. Question: In Region 6?

Answer:

Year	FTEs
1986	1,222
1985	1,484
1984	1,545
1983	1,531
1982	1,634
1981	1,577
1980	1,744
1979	1,312
1978	1,267
1977	1,260
1976	1,254
1975	1,121

Canadian imports increased from 19 percent of U.S. lumber consumption in 1975 to 33 percent in 1985. If this increase had not occurred and the Canadian market share in 1986 was still 19 percent rather than 33 percent, what would the effect be on:

288. Question: The U.S. trade deficit?

Answer: Assuming lumber consumption and demand were held constant, the deficit could be less.

289. Question: Employment in the U.S. forest industry?

Answer: Again, under the same assumptions, the employment level could be greater.

290. Question: U.S. total GNP?

Answer: To the extent that the markets' demand for wood products and other factors influencing the industry remained the same, the GNP would be higher by the amount that the wood products industry contributes to the GNP.

If Region 6 sells 5.2 BBF net merchantable sawtimber in FY 1987 and FY 1988:

291. Question: Will we exceed the 12.3 net merchantable volume under contract cap?

Answer: The 12.3 BBF cap is mandated by the Federal Timber Contract Payment Modification Act and will not be exceeded.

292. Question: Will it likely increase volume harvested?

Answer: Harvest volume is a function of demand for wood products and not a function of sell levels offered to the industry.

293. Question: Will more people be working in the Northwest?

Answer: If harvest levels increase, some increase in the labor and contracting workforce can be expected.

294. Question: Will it reduce the total budget deficit between now and 1991?

Answer: Increased revenues could be expected to reduce the deficit over time if they are not offset by increased receipt sharing payments to the States and counties. The extent of such a reduction is not known at this time.

295. Question: Will it improve the trade deficit?

Answer: Increased harvest levels could improve the trade deficit if markets currently held by imported material are replaced with domestic volumes.

296. Question: How much timber sale and road money will the Service need in FY 1987 to sell 5.2 BBF net merchantable sawtimber in Region 6?

Answer: Region 6 cannot prepare and offer 5.2 BBF of net merchantable sawtimber. To offer 5.2 BBF of net merchantable sawtimber in FY 1987, Region 6 would have to prepare and offer a total of 6.2 BBF of timber. It is not possible to increase their program level by over a billion board feet in one year because they do not have the trained personnel available.

297. Question: This is a multiple choice question. Please rank (from 10 for most effective to 1 for least) the following actions that could be taken in 1986 and 1987 to increase softwood lumber production in the Western U.S. in order to increase employment and improve the economy of many Western States. (Also please comment on the feasibility of these actions):

Answer: The relative values assigned each action indicate relative effectiveness in increasing softwood lumber production in the Western United States, with 10 being the most effective and 1 being the least.

10 - Stimulate Wood Demand
The housing market and related wood industries must provide the stimulant for the increased consumption of softwood lumber, low interest rates, and low unemployment that are needed to encourage more consumers to purchase adequate housing.

5 - Increase Mill Capacity
New mill capacity could increase the availability of softwood lumber. Improvements in existing mill facilities since the early 1980s has done much to make up for losses caused by older mill closures. Further efforts toward increased utilization of existing mill capacity in areas where mills have been closed down is needed.

6 - Modernize Existing Mills
This is definitely a must for the industry. As stated above, there is need for mills to modernize to accommodate smaller diameter material and produce usable lumber or plywood from it.

2 - Train Personnel
This is not needed beyond what industrial companies are providing now. If industry is to be curtailed, then training people for other forms of work is high priority.

0 - Limit Canadian Imports
This is an international trade policy question. The Office of the U.S. Trade Representative speaks for the Administration on such issues. Obviously anything that reduces competition, whether from Canada or other U.S. timber producing regions, would aid the timber economy of the Western States.

2 - Further Limit Log Export
Not necessary at this time. Industry should have some flexibility to meet foreign demands for wood products. Industry needs to change practices to more effectively meet foreign, product standards. This would allow them to ship more finished products.

0 - Increase Harvest on Public Lands
In order to meet further demands, the volumes of softwood lumber must be maintained at or near present capabilities. Major increase from most public lands, including the National Forests, may not be possible under present environmental and budgetary considerations.

3 - Increase Harvest on Private Lands
Nonindustrial forest lands do hold a major source of volume that can help to increase harvest levels. However, much of this land does not contain sufficient quantities of softwood sawtimber, or the ownership is not willing under present conditions to harvest very much.

0 - Retain Capital Gains on Timber
The retention of capital gains legislation is a matter to be handled by Department of Treasury. The Forest Service does not speak for the Administration on tax policy.

298. Question: How much timber do you expect to have under contract in the Mt. Baker-Snoqualmie and Olympic National Forests at the end of FY 1986?

Answer:

	Mt. Baker-Snoqualmie	Olympic
Net Merchantable	588 MMBF	634 MMBF
Cut 1986	-194 MMBF	-231 MMBF
Subtotal	394 MMBF	403 MMBF
Sell	+236 MMBF	+253 MMBF
Total Under Contract	630 MMBF	656 MMBF

299. Question: What would you consider an acceptable level of timber under contract for these forests?

Answer: Between 2.5 and 3.0 years, or equivalent, under contract.

Mt. Baker-Snoqualmie	590 to 708 MMBF
Olympic	632 to 759 MMBF

By end of FY 1986 both Forests will be within this range.

300. Question: What impact does the current situation have on timber sales that do take place from these forests? Is there any impact on surrounding areas?

Answer: The reduced volume under contract due to buy back has created a concern with industry over supply which may produce higher bids. However, we believe that changes made in timber sales procedures since the late 1970's will prevent highly speculative bidding.

301. Question: How does your proposed FY 1987 timber sales level affect this timber situation?

Answer: The President's budget of 4.200 BBF would place both Forests below 2.5 annual sell level and result in the following volume under contract.

Mt. Baker-Snoqualmie	536 MMBF
Olympic	557 MMBF

302. Question: What is your timetable for completing the Mt. Baker-Snoqualmie and Olympic forest plans?

Answer: We plan to complete the Mt. Baker-Snoqualmie draft plan in September 1986, and the Olympic National Forest draft plan in October 1986.

303. Question: How does your planning process affect the timber sales program?

Answer: Until final plans are adopted, we are working under existing timber management plans and funded targets. After final plans are adopted, sell levels will be determined by forest land and resource management plans.

RECREATION

304. Question: How much is included in your budget request for recreation?

Answer: We requested $51,140,000 for recreation with an additional $52,000,000 to be made available from the Land and Water Conservation Fund for Operation and Maintenance of Recreation Facilities, totaling $103,140,000.

305. Question: What did you originally request from OMB?

Answer: The Department allowance to OMB was $107,412,000.

306. Question: What will the effects on your budget be if your legislative proposals, particularly the change in payments to the Counties and the recreation user fee, are not approved by Congress?

Answer: If the proposal to change the method of sharing receipts with States and counties is not enacted, the expenditures will be about $225,000,000 higher. If the special account for Operation and Maintenance of Recreation Facilities is not established, funding for the recreation use program would depend on action by the Appropriations Committees.

307. Question: Is your budget request sufficient to maintain current service levels at all Forest Service recreation areas?

Answer: Yes, if the special account for Operation and Maintenance of Recreation Facilities is established.

308. Question: What funding level would be needed to accomplish this nationally?

Answer: The President's budget of $103,140,000, which includes $52,000,000 from the proposed account, Operation and Maintenance of Recreation Facilities.

309. Question: How do you plan to implement your recreation fee proposal? For example, how will fees be set at individual forest locations?

Answer: Expanded use fees would be authorized. All recreation fees would be available without further appropriation for expenditures as determined by the Secretary of Agriculture for development, operation, and maintenance of National Forest recreation sites and areas. In practice, we would expect the fees to be returned essentially as collected, but this would not be a requirement.

310. Question: The Park Service has a specific list of existing and proposed fees at each of its Parks -- do you have a similar list for National Forests? If so, please provide it for the record. If not, can you at least give us an estimate of the fees anticipated for Washington State?

Answer: The Park Service listing is for entrance fees to units of the National Park System. We are not proposing entrance fees to the National Forest System. We do have a total Service-wide estimate of 4,000 individual sites and areas where we would charge use fees.

In 1985, there were a total of 109 National Forest sites in the State of Washington. A total of $444,216 was collected in Washington. We would expect this to double under our proposal. Below is a listing of existing charge sites in the State of Washington. A listing for the entire National Forest System has been sent to the Committee. Until legislation is introduced, dealing with entrance and/or use fees for users of the National Forest System, any projection of anticipated fee receipts for the State of Washington would be highly speculative. However, passage of legislation allowing us to charge an entrance fee at Mount St. Helens alone could produce $300,000 annually, assuming a day-use entrance fee of $1.00 per person (assuming three people in a car) or $500,000 (at $5.00 per car).

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RIM CENTER 04/24/86              DEVELOPED SITE FEE PAYMENT STATUS                                              RIM SPECIAL NO. 5
                               FROM RIM DIRECTORY RECORD CURRENT AS OF  2/01/86                                         PAGE  86

        REGION-06          FOREST- 03   GIFFORD PINCHOT N F
                                                                                              MANAGED
 SERIAL  RANGER DISTRICT              SITE NAME                        KIND OF SITE    DEV.  SEASON   CAPACITY        USER FEES
 NUMBER  NO.  NAME                                                                     SCALE FROM  TO   (PAOT)  KIND  AMT   KIND  AMT

  12850   3   MT ADAMS R D            MOSS CREEK                       CAMPGROUND-FAM.  4  05/15 09/15      90    1  4.00
  12851   3   MT ADAMS R D            OKLAHOMA                         CAMPGROUND-FAM.  4  05/15 10/15     105    1  4.00
  12762   3   MT ADAMS R D            CULTUS CREEK                     CAMPGROUND-FAM.  3  06/15 09/30     360    1  4.00
  12767   3   MT ADAMS R D            PETERSON PRAIRIE                 CAMPGROUND-FAM.  3  05/15 09/30     220    1  4.00      1  6.00
  12771   3   MT ADAMS R D            TILLICUM                         CAMPGROUND-FAM.  3  06/15 09/30     245    1  4.00
  27536   3   MT ADAMS R D            PETERSON GROUP CAMP              CAMPGROUND-GRP.  3  05/15 09/30      50    4 20.00
  34713   3   MT ADAMS R D            ATKISSON SNO-PARK                WINTER SPORTS    3  11/30 04/30     120   18 10.00

  12798   4   PACKWOOD R D            LA WIS WIS                       CAMPGROUND-FAM.  4  05/21 09/20     500    1  5.00      1  6.00
  13999   4   PACKWOOD R D            BIG CREEK                        CAMPGROUND-FAM.  4  05/21 09/10     150    1  5.00

  12822   5   RANDLE R D              NORTH FORK                       CAMPGROUND-FAM.  3  05/15 09/30     165    1  5.00
  12824   5   RANDLE R D              TOWER ROCK                       CAMPGROUND-FAM.  3  05/15 09/30     110    1  5.00
  12831   5   RANDLE R D              IRON CREEK                       CAMPGROUND-FAM.  4  05/15 10/30     270    1  5.00
  34860   5   RANDLE R D              NORTH FORK GROUP SITE            CAMPGROUND-GRP.  3  05/15 09/30      90    4 15.00

  12844   8   WIND RIVER R D          BEAVER                           CAMPGROUND-FAM.  3  05/15 10/31     250    1  5.00      4
  12849   8   WIND RIVER R D          PARADISE CREEK                   CAMPGROUND-FAM.  3  05/15 09/15     250    1  4.00      1  6.00
  23692   8   WIND RIVER R D          PANTHER CREEK                    CAMPGROUND-FAM.  3  05/15 09/15     210    1  4.00      1  6.00

FOREST TOTAL                          16 SITES                                                        3,185
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RIM CENTER 04/26/86

DEVELOPED SITE FEE PAYMENT STATUS
FROM RIM DIRECTORY RECORD CURRENT AS OF 2/01/86

RIM SPECIAL NO. 5
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REGION-06 FOREST- 05 MT BAKER-SNOQUALMIE

SERIAL NUMBER	RANGER DISTRICT NO.	RANGER DISTRICT NAME	SITE NAME	KIND OF SITE	DEV. SCALE	MANAGED SEASON FROM	MANAGED SEASON TO	CAPACITY (PAOT)	USER FEES KIND	USER FEES AMT	USER FEES KIND	USER FEES AMT
12953	1	MT. BAKER R D	BAKER LAKE RESORT	BOATING SITE	4	04/15	11/01	80	10	2.00		
13058	1	MT. BAKER R D	DOUGLAS FIR	CAMPGROUND-FAM.	4	05/01	10/01	190	1	5.00		
12964	1	MT. BAKER R D	PANORAMA POINT	CAMPGROUND-FAM.	3	05/01	10/01	80	1	5.00		
13062	1	MT. BAKER R D	SILVER FIR	CAMPGROUND-FAM.	4	05/01	10/01	155	1	5.00		
12967	1	MT. BAKER R D	HORSESHOE COVE	CAMPGROUND-FAM.	4	05/01	10/01	190	1	5.00		
13097	2	DARRINGTON R D	TURLO	CAMPGROUND-FAM.	4	05/15	09/10	95	1	6.00		
13098	2	DARRINGTON R D	VERLOT	CAMPGROUND-FAM.	4	05/15	09/10	130	1	6.00		
13100	2	DARRINGTON R D	GOLD BASIN	CAMPGROUND-FAM.	4	05/15	09/10	605	1	6.00		
13126	2	DARRINGTON R D	WILEY CREEK	CAMPGROUND-GRP.	3	05/15	09/30	50	4	50.00		
26830	2	DARRINGTON R D	TULALIP MILLSITE	CAMPGROUND-GRP.	2	05/15	09/30	60	4	30.00		
13123	2	DARRINGTON R D	BOARDMAN CREEK	CAMPGROUND-GRP.	3	05/15	09/10	40	4	25.00		
29818	2	DARRINGTON R D	MARTEN CREEK	CAMPGROUND-GRP.	3	05/15	09/10	25	4	15.00		
29820	2	DARRINGTON R D	COAL CREEK BAR	CAMPGROUND-GRP.	3	05/15	09/10	25	4	15.00		
13124	2	DARRINGTON R D	BEAVER CREEK	CAMPGROUND-GRP.	3	05/15	09/10	20	4	15.00		
14098	5	NORTH BEND R D	DENNY CREEK	CAMPGROUND-FAM.	3	05/15	09/15	235	1	5.00	4	15.00
29844	5	NORTH BEND R D	TINKHAM	CAMPGROUND-FAM.	3	05/15	09/15	235	1	5.00	4	8.00
14127	6	SKYKOMISH R D	MONEY CREEK	CAMPGROUND-FAM.	4	05/15	09/15	185	1	6.00	1	10.00
35759	6	SKYKOMISH R D	TROUBLESOME CREEK	CAMPGROUND-FAM.	3	05/15	10/15	64	4	25.00		
14132	6	SKYKOMISH R D	BECKLER RIVER	CAMPGROUND-FAM.	3	05/15	09/15	190	1	5.00	1	8.00
14126	6	SKYKOMISH R D	MILLER RIVER	CAMPGROUND-GRP.	3	05/15	10/01	120	4	40.00		
14232	7	WHITE RIVER R D	SILVER SPRINGS	CAMPGROUND-FAM.	4	05/15	09/30	300	1	4.00		
FOREST TOTAL			21 SITES					3,074				

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RIM CENTER 04/24/86                DEVELOPED SITE FEE PAYMENT STATUS                                               RIM SPECIAL NO. 5
                              FROM RIM DIRECTORY RECORD CURRENT AS OF  2/01/86                                            PAGE  91

        REGION-06           FOREST- 08   OKANOGAN N F
                                                                                        MANAGED
                                                                   KIND OF SITE    DEV.  SEASON   CAPACITY        USER FEES
 SERIAL  RANGER DISTRICT             SITE NAME                                     SCALE FROM  TO   (PAOT)  KIND  AMT   KIND  AMT
 NUMBER  NO.  NAME
                                                                   CAMPGROUND-FAM.   3  05/15 09/15     55    1   4.00    4   6.00
  13540   3   TOMASKET R D           SALMON MEADOWS                CAMPGROUND-FAM.   3  05/15 09/15     65    1   4.00    4   6.00
  13541   3   TONASKET R D           ORIOLE                        CAMPGROUND-FAM.   4  05/15 09/15    200    1   5.00
  13574   3   TONASKET R D           LOST LAKE                     CAMPGROUND-FAM.   4  05/15 09/15    190    1   5.00    4   8.00
  13575   3   TONASKET R D           CC21C                         CAMPGROUND-FAM.   4  05/15 09/15     55    1   5.00
  24940   3   TONASKET R D           BETH LAKE                     CAMPGROUND-FAM.   3  05/15 09/15     20    1   4.00
  13552   3   TONASKET R D           COTTONWOOD                    CAMPGROUND-FAM.   3  05/15 09/15     60    1   4.00
  13577   3   TONASKET R D           BEAVER LAKE                   CAMPGROUND-FAM.   3  05/15 09/15     65    1   4.00
  13576   3   TONASKET R D           SWEAT CREEK                   ORGANIZ.SITE-FS   3  01/01 12/31     20    4  60.00
  13555   3   TONASKET R D           SALMON MEADOWS
                                                                   CAMPGROUND-FAM.   3  05/25 09/08    120    1   5.00
  13594   4   TWISP R D              BLACK PINE LAKE               CAMPGROUND-FAM.   3  05/25 09/08     30    1   4.00
  13598   4   TWISP R D              J R                           CAMPGROUND-FAM.   3  05/25 09/08     95    1   4.00
  26864   4   TWISP R D              LOUP LOUP                     CAMPGROUND-FAM.   3  05/25 09/08    105    1   4.00
  13601   4   TWISP R D              POPLAR FLAT                   CAMPGROUND-FAM.   3  05/25 09/08     55    1   4.00
  13604   4   TWISP R D              WAR CREEK
                                                                   CAMPGROUND-FAM.   3  06/01 09/30     40    1   3.00
  13623   5   WINTHROP R D           BUCK LAKE                     CAMPGROUND-FAM.   3  06/01 09/30     60    1   3.00
  13626   5   WINTHROP R D           FLAT                          CAMPGROUND-FAM.   3  06/01 09/30     35    1   4.00
  22137   5   WINTHROP R D           FALLS CREEK                   CAMPGROUND-FAM.   3  06/01 09/30     35    1   3.00
  13637   5   WINTHROP R D           BALLARD                       CAMPGROUND-FAM.   3  06/01 09/30     65    3   5.00
  13638   5   WINTHROP R D           EARLY WINTERS                 CAMPGROUND-FAM.   3  06/01 09/30    135    3   5.00
  13646   5   WINTHROP R D           LONE FIR                      CAMPGROUND-FAM.   4  06/01 09/30    230    3   5.00
  25120   5   WINTHROP R D           KLIPCHUCK                     CAMPGROUND-FAM.   3  06/01 09/30     25    1   3.00
  13641   5   WINTHROP R D           RIVER BEND
                                                                                                     1,760
 FOREST TOTAL                           22 SITES
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RIM SPECIAL NO. 5
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RIM CENTER 04/24/86

DEVELOPED SITE FEE PAYMENT STATUS
FROM RIM DIRECTORY RECORD CURRENT AS OF 2/01/86

REGION-06 FOREST- 09 OLYMPIC N F

SERIAL NUMBER	RANGER DISTRICT NO.	RANGER DISTRICT NAME	SITE NAME	KIND OF SITE	DEV. SCALE	MANAGED SEASON FROM	MANAGED SEASON TO	CAPACITY (PAOT)	USER FEES KIND	USER FEES AMT	USER FEES KIND	USER FEES AMT
13657	1	HOODSPORT R D	SEAL ROCK	CAMPGROUND-FAM.	4	04/15	11/01	205	1	6.00		
13658	1	HOODSPORT R D	ELKHORN	CAMPGROUND-FAM.	3	05/15	09/02	100	1	3.00		
13660	1	HOODSPORT R D	HAMMA HAMMA	CAMPGROUND-FAM.	3	05/15	09/02	75	1	3.00		
13661	1	HOODSPORT R D	LENA CREEK	CAMPGROUND-FAM.	3	05/15	09/02	70	1	3.00		
13676	2	QUILCENE R D	RAINBOW	CAMPGROUND-FAM.	2	05/23	09/08	45	1	3.00		
13678	2	QUILCENE R D	FALLS VIEW CAMPGROUND	CAMPGROUND-FAM.	3	05/02	09/19	170	1	5.00		
13688	3	QUINAULT R D	FALLS CREEK	CAMPGROUND-FAM.	3	05/17	10/06	150	1	6.00		
13689	3	QUINAULT R D	WILLABY	CAMPGROUND-FAM.	3	05/09	09/15	95	1	6.00		
27562	4	SHELTON R D	COHO	CAMPGROUND-FAM.	5	05/25	09/07	290	1	6.00		
13709	5	SOLEDUCK R D	KLAHOWYA	CAMPGROUND-FAM.	3	05/02	10/19	235	1	5.00		
FOREST TOTAL			10 SITES					1,435				

DEVELOPED SITE FEE PAYMENT STATUS
FROM RIM DIRECTORY RECORD CURRENT AS OF 2/01/86

REGION-06 FOREST- 17 WENATCHEE N F

SERIAL NUMBER	RANGER DISTRICT NO.	RANGER DISTRICT NAME	SITE NAME	KIND OF SITE	DEV. SCALE	MANAGED SEASON FROM	MANAGED SEASON TO	CAPACITY (PAOT)	USER FEES KIND	USER FEES AMT	USER FEES KIND	USER FEES AMT
33972	2	CHELAN R D	FIELDS POINT	BOATING SITE	5	01/01	12/31	1,575	18			
14810	3	CLE ELUM R D	TANEUM	CAMPGROUND-FAM.	3	05/01	11/30	150	1	4.00		
14778	3	CLE ELUM R D	CRYSTAL SPRINGS	CAMPGROUND-FAM.	3	05/15	11/15	200	1	4.00		
14780	3	CLE ELUM R D	KACHESS	CAMPGROUND-FAM.	4	05/30	10/01	1,155	1	6.00		
14781	3	CLE ELUM R D	CLE ELUM RIVER	CAMPGROUND-FAM.	3	05/15	11/15	175	1	4.00		
14783	3	CLE ELUM R D	SALMON LA SAC	CAMPGROUND-FAM.	4	05/30	10/30	825	1	6.00	1	4.00
14816	3	CLE ELUM R D	MINERAL SPRINGS	CAMPGROUND-FAM.	3	04/15	11/30	60	1	4.00		
14823	3	CLE ELUM R D	SWAUK	CAMPGROUND-FAM.	4	04/15	11/30	235	1	5.00		
23559	3	CLE ELUM R D	WISH POOSH	CAMPGROUND-FAM.	4	05/15	11/15	450	1	6.00		
14841	5	ENTIAT R D	FOX CREEK	CAMPGROUND-FAM.	3	05/01	11/05	45	1	3.00		
14842	5	ENTIAT R D	LAKE CREEK	CAMPGROUND-FAM.	3	05/01	11/05	60	1	3.00		
14843	5	ENTIAT R D	SILVER FALLS	CAMPGROUND-FAM.	3	05/25	11/05	250	1	5.00	4	30.00
14846	5	ENTIAT R D	NORTH FORK	CAMPGROUND-FAM.	3	05/15	11/05	45	1	3.00		
14849	5	ENTIAT R D	COTTONWOOD	CAMPGROUND-FAM.	3	06/10	10/15	130	1	4.00		
14878	6	LAKE WENATCHEE R D	NASON CREEK	CAMPGROUND-FAM.	4	05/01	10/31	400	1	5.00		
14879	6	LAKE WENATCHEE R D	GLACIER VIEW	CAMPGROUND-FAM.	3	05/15	10/15	115	1	4.00		
14918	7	LEAVENWORTH R D	BRIDGE CREEK	CAMPGROUND-FAM.	3	04/15	10/31	30	1	4.00		
14919	7	LEAVENWORTH R D	JOHNNY CREEK	CAMPGROUND-FAM.	3	05/01	10/31	80	1	4.00		
14920	7	LEAVENWORTH R D	CHATTER CREEK	CAMPGROUND-FAM.	3	05/01	10/31	85	1	4.00	4	30.00
14924	7	LEAVENWORTH R D	TUMWATER	CAMPGROUND-FAM.	3	05/01	10/31	520	1	6.00	4	30.00
14925	7	LEAVENWORTH R D	EIGHTMILE	CAMPGROUND-FAM.	3	04/15	10/31	110	1	4.00	4	30.00
14928	7	LEAVENWORTH R D	ROCK ISLAND	CAMPGROUND-FAM.	3	05/01	10/31	95	1	4.00		
30620	7	LEAVENWORTH R D	BLACKPINE CR HORSECAMP	CAMPGROUND-FAM.	3	05/15	10/30	45	1	3.00		
14820	7	LEAVENWORTH R D	TRONSEN	CAMPGROUND-FAM.	3	05/15	10/30	155	1	4.00		
14821	7	LEAVENWORTH R D	BONANZA	CAMPGROUND-FAM.	3	04/15	11/30	25	1	4.00		
14012	8	NACHES R D	BUMPING LAKE MARINA	BOATING SITE	3	06/01	10/30	160	1	4.00	10	2.00
14167	8	NACHES R D	WINDY POINT	CAMPGROUND-FAM.	3	04/01	11/18	75	1	4.00		
14017	8	NACHES R D	COTTON WOOD	CAMPGROUND-FAM.	3	04/01	12/02	80	1	4.00		
14168	8	NACHES R D	WILLOWS	CAMPGROUND-FAM.	3	04/01	11/18	80	1	4.00		
14170	8	NACHES R D	RIVER BEND	CAMPGROUND-FAM.	3	04/01	09/16	30	1	4.00		
14019	8	NACHES R D	SAWMILL FLAT	CAMPGROUND-FAM.	3	04/01	12/02	190	1	4.00		
14171	8	NACHES R D	HAUSE CREEK	CAMPGROUND-FAM.	4	05/24	11/18	210	1	5.00		
14020	8	NACHES R D	LITTLE NACHES	CAMPGROUND-FAM.	3	05/24	11/18	115	1	4.00		
14021	8	NACHES R D	KANER FLAT	CAMPGROUND-FAM.	3	04/15	11/18	395	1	4.00		
14177	8	NACHES R D	INDIAN CREEK	CAMPGROUND-FAM.	4	05/24	09/16	195	1	5.00		
33880	8	NACHES R D	CLEAR LAKE NORTH	CAMPGROUND-FAM.	3	04/12	11/18	175	4	30.00		
14032	8	NACHES R D	COUGAR FLAT	CAMPGROUND-FAM.	3	05/24	09/16	60	1	4.00		
14035	8	NACHES R D	BUMPING LAKE AND BOAT LANDING	CAMPGROUND-FAM.	3	05/13	11/18	338	1	4.00		
14040	8	NACHES R D	INDIAN FLAT	CAMPGROUND-FAM.	3	05/24	09/16	55	1	4.00		
14041	8	NACHES R D	CEDAR SPRINGS	CAMPGROUND-FAM.	3	05/24	11/18	75	1	4.00		
14042	8	NACHES R D	AMERICAN FORKS	CAMPGROUND-FAM.	3	05/24	09/16	125	1	4.00		

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RIM CENTER 04/24/86                 DEVELOPED SITE FEE PAYMENT STATUS                                     RIM SPECIAL NO. 5
                              FROM RIM DIRECTORY RECORD CURRENT AS OF  2/01/86                                   PAGE 100

        REGION-06          FOREST- 17   WENATCHEE N F
                                                                                      MANAGED
 SERIAL  RANGER DISTRICT              SITE NAME                     KIND OF SITE    DEV.  SEASON   CAPACITY          USER FEES
 NUMBER  NO.  NAME                                                                 SCALE FROM  TO   (PAOT)  KIND  AMT   KIND  AMT

  14044   8   NACHES R D              LODGE POLE                    CAMPGROUND-FAM.  3  06/14 09/16     190     1  4.00
  14046   8   NACHES R D              HELLS CROSSING                CAMPGROUND-FAM.  3  05/24 11/18      90     1  4.00
  14064   8   NACHES R D              AMERICAN RIDGE LODGE          CAMPGROUND-GRP.  3  01/01 12/31      50     4 30.00

FOREST TOTAL                            44 SITES                                                 9,703
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RIM CENTER 04/24/86

DEVELOPED SITE FEE PAYMENT STATUS
FROM RIM DIRECTORY RECORD CURRENT AS OF 2/01/86

RIM SPECIAL NO. 5
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REGION-06 FOREST- 21 COLVILLE N F

SERIAL NUMBER	RANGER DISTRICT NO.	RANGER DISTRICT NAME	SITE NAME	KIND OF SITE	DEV. SCALE	MANAGED SEASON FROM	MANAGED SEASON TO	CAPACITY (PAOT)	USER FEES KIND	USER FEES AMT	USER FEES KIND	USER FEES AMT
443	1	COLVILLE R D	LAKE LEO	CAMPGROUND-FAM.	3	05/15	09/15	40	1	5.00		
445	1	COLVILLE R D	EAST GILLETTE	CAMPGROUND-FAM.	3	05/15	09/15	240	1	5.00	1	10.00
446	1	COLVILLE R D	LAKE THOMAS	CAMPGROUND-FAM.	3	05/15	09/15	75	1	5.00		
1488	3	NEWPORT R D	SOUTH SKOOKUM LAKE	CAMPGROUND-FAM.	3	05/29	09/05	65	1	5.00		
1489	3	NEWPORT R D	BROWNS LAKE	CAMPGROUND-FAM.	3	05/29	09/05	85	1	5.00		
1490	3	NEWPORT R D	PIONEER PARK	CAMPGROUND-FAM.	3	05/29	09/05	70	1	5.00		
36390	4	REPUBLIC R D	TEN MILE	CAMPGROUND-FAM.	3	05/15	10/15	70	1	5.00		
490	4	REPUBLIC R D	LONG LAKE	CAMPGROUND-FAM.	3	05/25	09/08	60	1	5.00		
491	4	REPUBLIC R D	SWAN LAKE	CAMPGROUND-FAM.	3	05/25	09/08	125	1	5.00		
22018	4	REPUBLIC R D	FERRY LAKE	CAMPGROUND-FAM.	3	06/01	09/08	45	1	5.00		
22096	5	SULLIVAN LAKE R D	MILLPOND	CAMPGROUND-FAM.	3	05/25	09/03	50	1	5.00		
511	5	SULLIVAN LAKE R D	SULLIVAN LAKE	CAMPGROUND-FAM.	3	05/25	09/03	175	1	5.00	4	75.00
513	5	SULLIVAN LAKE R D	NOISY CREEK	CAMPGROUND-FAM.	3	05/25	09/03	95	1	5.00		
FOREST TOTAL			13 SITES					1,195				

311. Question: Have you done any studies to show the impact on visitation from the proposed fee increases?

Answer: We have not conducted any formal studies on this subject. With the fees we are proposing, we expect the impact on visitation to be minimal.

312. Question: What will happen if your receipts fall short of your projections?

Answer: Operation of recreation facilities will be pared back so that the recreation program matches available funds.

313. Question: I have been told that if your current budget request is approved, numerous recreational areas in the Mount Baker-Snoqualmie National Forest will be required to either curtail their services or close down entirely. Can you tell me specifically what the impact of your budget request will be on this forest and the Olympic NF?

Answer: With the total request of $103,140,000, additional campground closures should not be necessary. Management at developed sites and within dispersed areas and Wildernesses will continue at levels needed to meet public health and safety standards. The budget for FY 1987 would continue to be responsive to visitor needs within the Mount St. Helens National Volcanic Monument on the Gifford Pinchot National Forest.

Funding for the Mt. Baker-Snoqualmie and Olympic National Forests has declined in the past three fiscal years by about 9 percent in recreation management, and has increased by approximately 3 percent for wilderness management. Our current budget request will allow modest increases for both National Forests.

314. Question: Can you please describe for me the process Region 6 uses to allocate funds for recreation and wildlife programs to specific forests?

Answer: Region 6 has developed an operation and maintenance (O&M) model to more equitably distribute recreation management funds to the forests for FY 1987. This model is principally driven by: (1) Estimated costs needed to manage both developed sites and dispersed areas at standard service level in the Region and; (2) Reported visitor use in these sites and areas.

Wildlife and fish O&M funds are distributed in a similar fashion. Estimated costs for various tasks, such as coordination with State agencies, habitat inventories, and unit costs for timber sale support, were developed by the forests, then subjected to peer and regional review and adjustment.

315. Question: Is there any relationship between funds received and recreational opportunities in each forest, or user days?

Answer: Funds are allocated proportionately, and in a direct relationship, to each of the Forests based on anticipated use and existing carrying capacities of recreation facilities.

316. Question: Please provide the Committee with a breakdown of funding provided for recreation, wilderness management, wild & scenic rivers, trails, and fisheries from FY 1980 to FY 1987 at the national level.

Answer: The tables shown below summarize the categories of funds listed in this question:

RECREATION MANAGEMENT
(Thousand of dollars)*

Fiscal Year	Budget Authority	R-6	Mt. Baker-Snoqualmie	Olympic
1980	73,302	11,910	978	248
1981	77,934	10,132	755	261
1982	78,804	10,323	666	290
1983	85,905	10,914	683	328
1984	84,747	11,122	711	289
1985	84,741	11,822	728	265
1986	82,090	10,089	636	262
1987 Request	85,742 1/	11,495	Not available	

* Includes Wild & Scenic Rivers.

1/ 1987 includes $52,000,000 from Operations and Maintenance of Recreation Facilities.

WILDERNESS MANAGEMENT
(Dollars in thousands)*

Fiscal Year	Budget Authority	R-6	Mt. Baker-Snoqualmie	Olympic
1980	4,246	619	61	0
1981	5,494	518	39	0
1982	6,093	560	55	0
1983	6,703	649	55	0
1984	6,798	1,101	179	9
1985	7,746	1,527	211	51
1986	7,508	1,064	151	32
1987 Request	8,030	1,428	Not available	

* Includes Wild & Scenic Rivers.

TRAIL MAINTENANCE
(Dollars in thousands)*

Fiscal Year	Budget Authority	R-6	Mt. Baker-Snoqualmie	Olympic
1980	9,109	2,136	247	60
1981	11,226	1,738	170	44
1982	11,312	2,032	186	32
1983	13,988	1,982	153	28
1984	9,267	1,766	81	35
1985	9,256	2,044	173	48
1986	9,539	1,838	143	37
1987 Request	8,365	2,362	Not available	

* Includes Wild & Scenic Rivers.

WILDLIFE AND FISH HABITAT MANAGEMENT
(Dollars in thousands)*

Fiscal Year	Budget Authority	R-6	Mt. Baker-Snoqualmie	Olympic
1980	30,563	3,384	156	169
1981	31,542	3,343	244	207
1982	33,136	3,740	271	194
1983	33,349	3,942	210	179
1984	35,360	3,724	217	184
1985	36,726	3,979	354	241
1986	37,030	3,370	343	184
1987 Request	33,780	4,982	Not available	

* Includes Wild & Scenic Rivers.

ANADROMOUS FISH HABITAT IMPROVEMENT
(Dollars in thousands)

Fiscal Year	Budget Authority	R-6	Mt. Baker-Snoqualmie	Olympic
1984 1/		0	0	0
1985	3,843	865	206	73
1986	3,855	903	182	44
1987 Request	2,835		Not available	

1/ Anadromous fish was not separately identified until 1984.

317. Question: For Region 6. Answer included in answer 316.

318. Question: For the Mount Baker-Snoqualmie National Forest. Answer included in answer 316.

319. Question: And for Olympic National Forest. Answer included in answer 316.

320. Question: Even though funding for these programs has been increasing at the national level, I understand these increases have not been shared equally among the forests in Region 6. Please explain why.

Answer: Not all Regions or National Forests share equally with the increases nationally. This is due to many factors, such as the impact of new programs and recreation initiatives. For example, a significant reason why the Mt. Baker-Snoqualmie and Olympic National Forests have not shared in the increases nationally has been the increased percentage of the Regional budget that has been allocated to the Gifford Pinchot National Forest over the past three years for development and management of the necessary visitor facilities associated with the Mount St. Helens National Volcanic Monument.

321. Question: Please provide a breakdown of wilderness additions to forests in Region 6 since 1980.

Answer:

National Forest	Existing Area as of 1980 (acres)	Wilderness Additions (acres)	Total Area (as of 1986) (acres)
Deschutes	124,326	55,130	179,456
Fremont	18,709	4,114	22,823
Malheur	33,003	47,996	80,999
Mt. Hood	50,313	134,860	185,173
Ochoco	0	36,151	36,151
Rogue River	0	77,674	77,674
Siskiyou	194,558	20,613	215,171
Siuslaw	0	21,913	21,913
Umatilla	177,423	126,876	304,299
Umpqua	0	69,237	69,237
Wallowa-Whitman	401,909	105,719	507,628
Willamette	301,944	76,425	378,369
Winema	23,071	70,039	93,110
Colville	0	31,895	31,895
Gifford Pinchot	92,096	85,440	177,536
Mt. Baker-Snoqualmie	347,459	341,800	689,259
Okanogan	505,524	120,227	625,751
Olympic	0	92,966	92,966
Wenatchee	445,085	337,933	783,018
Total	2,715,420	1,857,008	4,572,428

322. Question: Have these forests received corresponding increases in funding to manage these lands?

Answer: Yes. The table shown above indicates a significant increase in wilderness acres since 1980. Analysis of wilderness funding levels for the Region (without adjustment for inflation) indicates that there has also been a significant increase in dollar allocations. With the minor exception of the Mt. Hood National Forest, every one of the National Forests in Region 6 which had wilderness additions since 1980 have had increases in their wilderness management funds.

323. Question: Specifically outline for the committee how much funding for wilderness has been received by the Mount Baker-Snoqualmie and Olympic National Forests since FY 1980.

Answer: Refer to the answers given under Question #316, above.

WILDERNESS MANAGEMENT
(Thousands of dollars)

Fiscal Year	Mt. Baker-Snoqualmie	Olympic
1980	61	0
1981	39	0
1982	55	0
1983	55	0
1984	179	9
1985	211	51
1986	151	32

324. Question: Do you have any numbers showing the extent of recreational use of the Mount Baker-Snoqualmie NF over the past couple of years?

Answer: In FY 1984, total recreational use on the Mt. Baker-Snoqualmie was 4,359,200 RVDs. In FY 1985, recreational use totaled 3,339,600 RVDs.

325. Question: Of other forests in Washington State?

Answer: Excluding the above use figures for the Mt. Baker-Snoqualmie National Forest, a total recreational use of 9,292,500 RVDs was experienced in FY 1984 by the remaining National Forests in the State of Washington. FY 1985 use totaled 9,009,400 RVDs on these forests.

326. Question: Do you have any estimates of projected use of Mt. Baker-Snoqualmie in FY 1987?

Answer: No. Based on what has occurred between 1984 and 1985, predictions of visitor use would be highly speculative. A projection of 6,000,000 is given in the forest plan. However, this is based on a generalized ten-year estimate, and is not reliable for any single year in the planning horizon.

327. Question: What amount of funding would be required to maintain current service levels at all recreational areas in the Mt. Baker-Snoqualmie NF in FY 1987?

Answer: A sizeable recreation site rehabilitation job would be necessary on several of the developed sites to bring them up to a level at which a satisfactory level of recurrent maintenance can be attained on a yearly basis. It would cost $1,352,000 to do this--including this rehabilitation work.

However, the President's budget includes adequate recreation operation and maintenance funds for the Mt. Baker-Snoqualmie to receive an increase of funding for 1987 over that received in 1986. The Forest will be able to maintain 75 percent of the areas at current service levels without major recreation site rehabilitation.

328. Question: In the Olympic NF?

Answer: Using the same assumption of required site rehabilitation and active management of all inventoried sites, it would cost about $407,000 on the Olympic National Forest. However, the 1987 recreation operation and maintenance budget will allow for a modest increase for the Olympic National Forest and they will be able to maintain their 1986 program with the FY 1987 level requested in the President's Budget.

HYDROPOWER DEVELOPMENT

329. Question: What involvement does the Forest Service have in evaluating applications for small hydropower development in Region 6?

Answer: As in other Regions, the Forest Service is involved in reviewing applications for license and exemption, along with determining project requirements in the FERC license and Forest Service permit. In FY 1985 there were 42 operating projects, 15 under construction or awaiting construction, and 245 other proposals for projects in Region 6.

330. Question: Do the forests in this region receive any funding for this work?

Answer: The programs which are affected by and/or benefit from the proposals pay for the costs associated with this work.

331. Question: Do you have any estimates of how much it costs to do these evaluations on a timely basis in Region 6?

Answer: Costs vary from year to year depending on the number of active proposals. The cost in 1985 was approximately $250,000 per evaluation in Region 6.

332. Question: Nationwide?

Answer: The cost to do evaluations nationwide in FY 1985 was approximately $2.73 million.

HUMAN RESOURCE PROGRAMS

333. Question: How did your Youth Conservation Corps program go last year, was there good participation?

Answer: The program was successful in 1985 with good participation of 2,293 youth employed.

334. Question: Do you have any current estimates of the program's cost-benefit ratio?

Answer: The value of the YCC work accomplished in 1985 was $1.22 return on every YCC dollar invested.

335. Question: Can you give us some examples of the type of work that was done by the YCC last year?

Answer: Types of work are constructing trails, building campground facilities, planting trees, collecting litter, clearing streams, constructing range fencing, and improving wildlife habitat.

336. Question: What are the age and income level breakdowns of your participants?

Answer: We no longer collect this data on YCC participants.

337. Question: Last year, we made it quite clear in the appropriations bill that you were not limited to a specific National Forest System account as the source for YCC funds. Has this clarification made it easier to find funding for the program?

Answer: The increased flexibility of using different funding sources for YCC, as provided by legislative language, provided relief in funding the YCC.

338. Question: Will it be possible to find funding at the same level for this program with this year's budget request?

Answer: No. Since the President's budget is reduced to meet the Federal deficit reduction goal for 1987 as mandated by the Balanced Budget and Emergency Deficit Control Act of 1985, direct funding for the YCC program was not proposed in FY 1987.

339. Question: What funding level would you recommend if this year's request is approved?

Answer: We do not recommend funding YCC in FY 1987 because other youth employment programs are provided by the Department of Labor.

340. Question: If you end up with an appropriations level that is closer to your FY 1986 program, how will this impact your ability to find funding for YCC?

Answer: We would be able to accomplish approximately the same level as 1986.

341. Question: Do you believe this is a good program that deserves funding?

Answer: We believe that programs specifically targeted to disadvantaged youths in the Labor Department should have higher priority.

QUESTIONS SUBMITTED BY
CONGRESSMAN LES AUCOIN

BULL RUN WATERSHED

342. Question: Have you begun the expanded water quality monitoring program in the Bull Run Watershed, for which we provided you with $270,000 in FY 1986?

Answer: Yes.

343. Question: Is that work included in the FY 1987 budget request, or do we need to add the funds in to keep the monitoring work going?

Answer: About $200,000 is included in soil, water, and air operations to continue the work in FY 1987.

344. Question: Tell us how the salvage plans are going in the watershed.

Answer: Last fall the Forest Service contracted timber salvage of blowdown on 580 acres of the higher priority, higher elevation, and faster deteriorating "White Woods" made up of hemlock and true fir stands. Of these acres, 110 have been salvaged with the remaining salvage to be finished by the end of summer 1986.

Concurrently, the Forest Service, interested private citizens, and the city are working on an environmental impact statement (EIS) that will address the long-term blowdown situation on the remaining 5,190 acres of blowdown. This process includes intensive public participation in all phases of planning, and has been well received by the public and the city. We are optimistic about arriving at a mutually agreed upon program. The final EIS should be completed by the spring of 1987. Implementation of this program is expected in May of 1987.

345. Question: Does water quality remain the pre-eminent standard by which management decisions are made there?

Answer: Yes. Providing suitable supplies of "pure, clean, raw, and potable" water for the City of Portland's use is our first priority, as provided for in P.L. 95-200.

COLUMBIA GORGE NATIONAL SCENIC AREA

346. Question: We provided $1.2 million in land acquisition funds for the Columbia Gorge in FY 1986. Are acquisitions proceeding?

Answer: Yes. The Mt. Hood National Forest is working on 7 properties totaling 245 acres. The Gifford Pinchot National Forest is working on a number of cases totaling 170 acres. The total value of all these properties is approximately $1.2 million.

347. Question: Are the Forest Service and the Agriculture Department looking at the legislation that has been introduced which calls for creation of a Columbia Gorge National Scenic Area? Any comments on the bills?

Answer: The Forest Service does not yet have a position on any of these bills.

348. Question: If such a National Scenic Area were authorized, would land acquisition in that area be a high priority for the Forest Service, assuming you had acquisition funds?

Answer: Land acquisition is a postponable investment activity. Given the deficit reduction targets established in the Balanced Budget and Emergency Deficit Control Act of 1985, we would not anticipate requesting any funds for new land acquisition projects in the next few years. In the last several appropriations acts, the Congress has added money for this program with most of the funding earmarked for specific projects and geographic areas. If such funds are provided in the future, we would continue to follow the priorities established by the Congress in the earmarking of land acquisition funds.

REFORESTATION

349. Question: It seems that the reforestation budget contains a sleight of hand, with on-budget funds for reforestation being cut in half, while off-budget trust funds make up much of the difference. How can you do this?

Answer: The request to increase K-V trust funds is a program shift. With the completion of essentially all of the feasible backlog reforestation, emphasis can be placed upon the reforestation of all current timber harvest areas. With the recent FY 1984 and 1985 increases in timber harvest level above 10.5 BBF and the projection that it will rise to about 11.0 BBF for some years to come, the amount of K-V trust funds needed to accomplish necessary reforestation efforts has been increased accordingly.

The amount of appropriated reforestation funding has been reduced due to less area needing treatment and as a means to limit the amount of expenditures for capital investments in order to help reduce the overall Federal Government deficit.

350. Question: Can the K-V trust fund sustain this kind of increased outlay, or are we depleting the trust fund with this kind of budgeting?

Answer: The K-V trust fund can sustain this increased outlay because we have built this activity into our sale area improvement planning and into the deposits required of timber operators. This trust fund has maintained an annual unobligated balance of over $300 million even with annual deposits.

I have heard a lot from people in my district who own and operate nurseries. They complain that the Forest Service's nurseries are unfair competition to them, and that private nurseries should get a larger share of the Forest Service's reforestation work.

351. Question: What share of the seedlings that you use for reforestation are obtained from private sources? (I'm told that the BLM share is about 28 percent).

Answer: In 1987 approximately 17 percent will be obtained from State and private nurseries.

352. Question: Do you intend to increase contracting for the production of seedlings for a bigger private-sector share? Why/why not?

Answer: We would expect only minor increases in contracting for seedlings. Production at Forest Service nurseries will be kept at or near capacity to be cost effective. Forest Service nurseries provide the most flexibility in providing the seedlings needed for a specific area and working with our research program to improve tree species.

353. Question: How do you expect the new Conservation Reserve, created in the 1985 Farm Bill, to affect seedling demand, in the Northwest and elsewhere?

Answer: The Conservation Reserve Program (CRP) will affect seedling demand, but primarily in the Southeast. Tentative tree planting bids accepted during the first signup period (March 3-14) were for 131 thousand acres. At an average planting density of 750 trees an acre, it will require approximately 100 million seedlings to accommodate the program.

Over the past few years, forest nursery production in the United States has approached two billion seedlings per year. The estimated 100 million seedlings required for just the initial signup represents five percent of the Nation's present production of seedlings for forests and windbreaks. Over 95 percent of the tentative accepted tree planting bids during the first CRP signup period were in southeastern States.

354. Question: Will this improve the prospects for private seedling nurseries in the Northwest?

Answer: We do not anticipate significant demands for Conservation Reserve Program (CRP) planting stock in the Northwest. Unless many farmers in the Northwest submit bids which are accepted and choose tree planting as a cover practice, the demand for seedlings from private seedling nurseries in the Northwest will be low. However, these private nurseries can try to expand their distribution market to cover increased demands in the Pacific Southwest.

TIMBER STAND IMPROVEMENT

355. Question: How much TSI work will be accomplished in Fiscal Year 1987 with regular appropriated funds, and how much with K-V funds?

Answer: In 1987 approximatley 120,500 acres will be accomplished with appropriated funds and 182,000 with K-V funds.

356. Question: Are there differences between these two accounts? Is different work performed?

Answer: There are some differences in these two accounts. K-V is used on timber sale areas usually within 5 years after the timber has been harvested. Ocassionally, with prior Regional Forester approval, this can be extended to 10 years. Appropriated funds are used when areas are not eligible for K-V collections or expenditures. Examples are sale areas after ten years and areas damaged by fire, windstorms, and insects.

357. Question: The budget justification (p. 161) indicates that the combined appropriated and K-V work will accomplish only 76 percent of the estimated annual need of 400,000 acres. How much more money do you need to have a 100 percent accomplishment rate?

Answer: An increase in the program of 97,500 acres would cost $33,600,000 in appropriated funds to meet the annual estimated need of 400,000 acres. However, this annual estimate is highly dependent upon annual harvest levels and fire and pest suppression activities. For FY 1987, this annual estimate could be lower.

358. Question: The justification also says that the requested level of TSI work will increase annual growth by 500 million board feet per year. What kind of an increase would be expected with full funding (meeting 100 percent of the need)?

Answer: Full funding would increase growth on the treated stands by 10 to 15 percent per year.

359. Question: Is this a cost-effective investment?

Answer: Yes, it is a cost effective program, if our assumptions about long-term prices are correct.

An article in the March 16, 1986 "Oregonian" notes: "The Forest Service identified 157,000 acres in Oregon and Washington national forests needing timber stand improvement this year. Appropriations by Congress will limit the work to 86,000 acres. "The Service asked to reforest 92,000 acres and was held to 81,000, said Ralph Jaszkowski, regional silviculturist."

360. Question: Is that accurate? Can we assume that the budget cuts proposed for FY 1987 would make that shortfall that much bigger?

Answer: The 157,000 acre figure represents the TSI work that could have been done in FY 1986. Since the article was written adjustments in both the national and Region 6's program will allow the Region to accomplish more work. About 103,000 acres of TSI are now programmed for this year. This is 11,000 more acres than the Service asked for in FY 1986. The reforestation program will remain at about the level quoted. The budget for FY 1987 plans about 108,000 acres of reforestation from K-V and appropriated funds for Region 6. Any further cuts would create a shortfall.

QUESTIONS SUBMITTED BY
CONGRESSMAN RALPH REGULA

RESEARCH

361. Question: What will be the most significant impacts of the budget reductions proposed for FY 1987 on Forest Service research?

Answer: The 1987 President's budget is $8,646,000 less than the FY 1986 appropriation (DCA adjusted). Most of this reduction comes from two areas: Competitive Grants and the National Vegetation Survey. The Competitive Grants reduction is $6,507,000; this program can be discontinued without affecting current efforts of the grants that have been awarded in FY 1985 and will be awarded in FY 1986. The National Vegetative Survey's reduction is $1,914,000; this program is being reduced because there is insufficient knowledge at this time to identify which variables to measure in an operational survey. The 1987 budget consolidates the remaining research to retain a critical mass of research resources on a fewer number of research problems.

362. Question: The fiscal year 1987 proposed research reductions vary significantly among budget line items. What are the reasons for this?

Answer: The criteria used to determine where the proposed Forest Research funding reductions would be allocated include:

1. The relative importance and timeliness of the research issues being addressed.
2. The status of the research, particularly whether the research is reaching a reasonable stopping point.
3. The desire to retain a well balanced cadre with research expertise that is capable of responding to research issues that are likely to emerge in the future.
4. The need to apply a critical mass of research resources to each issue that is retained in the research program, thus avoiding fragmentation of the research program due to application of inadequate resources to an excessively wide range of research topics.
5. Whether the research issue is already being addressed by some other research organization equally well suited to address the issue.

When these criteria for the allocation of the reductions were combined with the FY 1987 Budget, reductions of the lower priority research were proposed in each of the 10 budget line items in the Forest Research program. The proposed reductions are greatest in the forest inventory and analysis line item because of the proposed termination of the National Vegetation Survey and the Competitive Grants program.

The following table shows the relative share of the budget line items.

Forest Research
(in thousands of dollars)

Forest Research Budget Line Item	FY 1985 Actual		FY 1986 Appropriation with DCA		FY 1987 President's Budget	
	Total	Percent	Total	Percent	Total	Percent
Fire and Atmospheric Sciences Research	$ 7,963	7	$ 7,716	7	$ 7,546	7
Forest Insects and Disease Research	21,147	19	20,186	18	20,178	18
Forest Inventory and Analysis	17,133	15	16,316	14	14,222	13
Renewable Resources Economics Research	4,513	4	4,370	4	4,456	4
Timber Management Research	22,161	19	21,501	19	21,339	19
Watershed Management & Rehabilitation Research	11,229	10	14,850	13	14,858	13
Wildlife, Range, and Fish Habitat Research	9,108	8	9,072	8	9,291	8
Forest Recreation Research	2,084	2	2,049	2	2,077	2
Forest Products and Harvesting Research	18,488	16	17,560	15	17,514	16
Special Projects, Competitive Grants	(7,840) 1/		(6,507) 1/		(0)	
TOTAL, FOREST RESEARCH	$113,826 1/		$113,620 1/		$111,481	

1/ Funding for competitive grants are not included for comparison purposes.

363. Question: If the Congress were to restore funding to the research budget what criteria would be used for the allocation of the funds?

Answer: Particular attention might be given to the research issues that are related to managing the nation's natural resources and resolving major public policy issues involving natural resource management and use.

364. Question: Would this lead to a greater disparity among the various budget line items?

Answer: The balance among research budget line items would be changed very little.

365. Question: Several environmental issues including acid rain, old growth-wildlife habitat, anadromous fish, and threatened and endangered species have ranked as relatively high research priorities in recent years. What is their status today and in the immediate future?

Answer: The funding status for these areas of research initiatives are:

Research Initiative	FY 1986 DCA*	FY 1987 Budget
	-----($1,000)-----	
1. Acid rain	10,755	8,505
2. Old growth/wildlife habitat	1,013	1,064
3. Anadromous fish	1,053	1,106
4. Threatened and endangered species	825	842

366. Question: What was the agency request for Forest Service research for FY 1987?

Answer: The Forest Research FY 1987 budget request to the Department was $123,845,000. When that request is increased by the $4,000,000 transferred to the Forest Service from the Environmental Protection Agency for atmospheric deposition research, as directed by the Office of Management and Budget, the effective total agency request in FY 1987 was $127,845,000.

367. Question: What was the Department request for Forest Service research for FY 1987?

Answer: The Department's FY 1987 request to OMB was $123,845,000. When that request is increased by the $4,000,000 transferred to the Forest Service from the Environmental Protection Agency for atmospheric deposition research, as directed by the Office of Management and Budget, the effective total Department request in FY 1987 was $127,845,000.

368. Question: If the Congress were to provide an additional $5 million to the FY 1986 level of $125.5 million how would that be used? Please provide that information by budget line item.

Answer: The following Table 1 displays the allocation of funding increases above the FY 1987 Budget, by budget line item. Table 2 provides a narrative of the research areas that could be emphasized with a funding increase up to a funding level that is $5.0 million above the FY 1986 CR, by budget line item. These items are not in priority. Also, any increases in research projects would require corresponding funding reductions in order to meet the deficit target in FY 1987.

TABLE 1

FOREST SERVICE RESEARCH ALTERNATIVE PROGRAMS
(dollars in thousands)

Forest Research Budget Line Item	FY 1987 President's Budget	FY 1986 CR Increase Plus $5 Million	
		Increase	Total
Fire and Atmospheric Sciences Research	$ 7,546	$ 900	$ 8,446
Forest Insects and Disease Research	20,178	1,450	21,628
Forest Inventory and Analysis	14,222	3,550	17,772
Renewable Resources Economics Research	4,456	600	5,056
Timber Management Research	21,339	3,100	24,439
Watershed Management and Rehabilitation Research	14,858	1,300	16,158
Wildlife, Range, and Fish Habitat Research	9,291	1,550	10,841
Forest Recreation Research	2,077	300	2,377
Forest Products and Harvesting Research	17,514	1,300	18,814
Special Projects, Competitive Grants	0	4,994	4,994
TOTAL	$111,481	$19,044	$130,525

FOREST SERVICE RESEARCH CAPABILITY
FOR FISCAL YEAR 1987

Table 2. Research Program Emphasis that could be Achieved with Increases in Forest Research Funding up to the Funding Level Set by the Fiscal Year 1986 Continuing Resolution Plus $5.0 million ($130.5 million), by Budget Line Item.

INCREASED FUNDING TO REACH FY 86 CR + $5 MILLION (Dollars in Thousands) Increment	Cumulative	**BUDGET LINE ITEM**
		Forest Fire and Atmospheric Sciences Research
200	200	o Increase research on atmospheric deposition.
300	500	o Initiate research on problems encountered in fire in the urban/wildland interface.
200	700	o Expand research on fire and air quality in the Pacific Northwest and Alaska.
200	900	o Increase fundamental research on fire effects.
		Forest Insects and Disease Research
200	200	o Accelerate research on development of disease resistance through somaclonal variation and selection.
200	400	o Increase research on population dynamics of southern pine beetle.
100	500	o Increase research on tree stress physiology interactions with insect activities.
200	700	o Accelerate research on root rots in West Coast forests.
200	900	o Initiate research on biological control of gypsy moth in western conifers.
100	1,000	o Expand research on the physiology of host resistance to insects.
150	1,150	o Accelerate research on root rots of northern Rocky Mountain conifers.
200	1,350	o Accelerate research on insect and disease impact assessments.
100	1,450	o Increase research on mountain pine beetle in the Rocky Mountains.

Forest Inventory and Analysis

900	900	o Restore forest inventory remeasurement cycle to a nationwide average of 10 years.
100	1,000	o Restore research on timber demand trend modeling.
500	1,500	o Initiate research on techniques to assist in land management planning processes and multi-resource analysis.
100	1,600	o Increase research on remote sensing and other advanced techniques to update forest inventories.
1,000	2,600	o Assess forest health in relation to atmospheric deposition impacts. (National Vegetation Survey).
200	2,800	o Increase research on growth trends and statistical methods related to acid rain and land management planning.
200	3,000	o Increase research on methods to forecast supply and demand for timber regionally and project regional timber supplies.
50	3,050	o Increase research on methods for projecting regional timber supplies.
300	3,350	o Expand research on extent of timber investment opportunities in the North.
200	3,550	o Accelerate research to forecast supply and allocate demand for timber by geographic and ecologic region.

Renewable Resources Economics Research

150	150	o Expand timber investment analysis in the northern United States.
100	250	o Increase research on techniques to evaluate resource values.
75	325	o Accelerate research in economics of multiple use.
75	400	o Increase research on impacts of tax policies on international trade.
200	600	o Develop and test economic theories behind multiple use decisionmaking.

Timber Management Research

500	500	Accelerate research on application of biotechnology to tree genetics.
250	750	Increase research on stress physiology of trees.
200	950	Initiate research on wetland hardwood silviculture in the Atlantic coastal plain.
100	1,050	Accelerate research on regional timber growth and yield prediction in the northeast.
200	1,250	Strengthen forest vegetation management research and development program for California.
400	1,650	Restore research on Alaskan ecosystems definition and classification.
200	1,850	Restore research on interior Douglas-fir and ponderosa pine in the northern and central Rocky Mountains.
100	1,950	Restore Appalachian silviculture research.
200	2,150	Initiate a Northwest/North Central United States coordinated forest genetics research effort in Wisconsin.
200	2,350	Initiate research on mid- and upper-slope mixed conifer growth and yield predictors in the Cascade Mountains of Oregon and Washington.
450	2,800	Expand research on physiology and species composition of oak stands in the Central United States and continue hardwood research on the Cumberland Plateau.
100	2,900	Expand fire related silviculture research in eastern Oregon and subalpine silviculture in western Montana.
200	3,100	Increase research on subalpine silviculture in Western Larch, lodgepole, and grand fir.

Watershed Management and Rehabilitation Research

125	125	o Develop soil stabilization techniques in coastal Washington.
600	725	o Accelerate research on effects of atmospheric deposition and acid rain on forest vegetation nationally.
150	875	o Initiate research on determining cumulative long-term effects of man's activities within watershed calibration and data collection capabilities.
225	1,100	o Upgrade research on improved data collection methods and watershed calibration in the eastern United States.
100	1,200	o Initiate development of a new erosion prediction model with Agricultural Research Service.
100	1,300	o Accelerate research on developing methodology to evaluate success of mineland rehabilitation.

Wildlife, Range, and Fish Habitat Research

200	200	o Strengthen old growth timber/wildlife monitoring research including spotted owls in the Pacific Northwest.
200	400	o Research on habitat requirements of endangered species such as grizzly bear and woodland caribou in the Rocky Mountains.
200	600	o Initiate research on factors that determine trout stream productivity in the Appalachian.
300	900	o Accelerate research to develop semiarid habitat management guides for the southwest.
100	1,000	o Restore moose habitat research in Alaska.
100	1,100	o Expand research on tropical wildlife habitat requirements including the Puerto Rican parrot.
100	1,200	o Accelerate research on the southern red cockaded woodpecker.

100	1,300	o Initiate research on ungulate interactions with riparian ecosystems.
250	1,550	o Increase research on anadromous fish habitat and associated riparian problems.
		Forest Recreation Research
150	150	o Accelerate wilderness management research in the Rocky Mountains.
150	300	o Initiate research on recreation management in the urban/wildland interface in southern California.
		Forest Products and Harvesting Research
200	200	o Restore research on spaceboard, structural fiber products.
200	400	o Accelerate research on microbial and enzymatic conversion of wood.
150	550	o Initiate research on engineered structural components and systems.
150	700	o Increase engineering systems research for southern forest management.
300	1,000	o Expand research on advanced automated systems for improved eastern wood utilization.
100	1,100	o Restore research on use of tropical species.
100	1,200	o Enhance utilization research on low-grade hardwoods.
100	1,300	o Accelerate research on environmental effects on basic strength and elastic properties of paper.
		Special Projects, Competitive Grants
3,394	3,394	o Conduct a competitive forestry research grants program to develop fundamental knowledge and understanding of the structures, processes, and relationships within forest ecosystems that will provide a basis for scientific forest management and utilization of wood.
1,600	4,994	o Conduct a higher program.

369. Question: Do you envision any high priority research program that the Congress is not funding at this time? If so, what?

Answer: The President's FY 1987 budget of $111,481,000 provides for the retention of high priority research.

370. Question: During the past few years other research programs in the Department of Agriculture, especially those of the Agricultural Research Service have received strong support and request for additional funding by the Administration. What is their situation in FY 1987?

Answer: The situation for research programs in the Department of Agriculture is varied; while funding for the Agricultural Research Service and Economic Research Service (ERS) has increased, the Forest Service (FS) and Cooperative State Research Service (CSRS) funding has decreased.

Funding for Major Programs in the
Department of Agriculture
for FYs 1986 and 1987

Agency	1986 (DCA)	FY 1987 President's Budget	Difference 1986-1987	Change Percent
	(Millions in Dollars)			
ARS	478.4	513.1	+34.7	+7.3
CSRS	278.9	246.4	-32.5	-11.7
ERS	44.1	45.5	+1.4	+3.2
FS	113.6 1/	111.5	-2.1	-1.8
Total Research	915.0	916.5	+1.5	+0.2

1/ Shown without competitive grants

371. Question: According to your budget justification (p. 16) by the end of FY 1986 the Forest Service will have closed 9 research locations, terminated 40 Research Work Units and reduced personnel since FY 1981 by about 200 full-time equivalents. What has been the cumulative impact of these reductions?

Answer: The major cumulative impact of these reductions is a redirection of research programs. As both budgets and personnel have declined, research programs have been continually evaluated and redirected to meet the highest priority needs and also to address important emerging problems. The lower priority needs have been reduced and in several cases eliminated.

Following are examples of significant program redirections:

- Atmospheric deposition. Approximately $1.6 million was redirected from research in watershed management, fire and timber management to research on terrestrial effects of atmospheric deposition.
- Priority pest problems. $4.4 million was redirected from research on southern pine beetle, spruce budworms, dutch elm, and western pine beetles to high priority problems such as gypsy moth, cone and seed pests, fusiform rust, mountain pine beetle, root diseases, biotechnology, and integrated pest management.
- Trees and timber management research. $5.5 million was redirected to accelerate and initiate high priority research in timber growth and yield estimation, biotechnology, reforestation, management of eastern hardwoods, and research to enhance forest productivity.
- Renewable resources economics. $750 thousand was redirected from research on fire economics and analysis of regional markets for forest products to high priority research of international trade economics, economics of forest pest management, and efficiency of timber management.
- Forest products research. $400 thousand has been redirected from research on tree biomass production and fuels from biomass to high priority research on wood performance, wood adhesives, and biodegradation of ligno-cellulose materials.
- Threatened and endangered wildlife. $2.0 million dollars has been redirected from range evaluation studies, urban wildlife studies, research at experimental ranges, and aspen and shrub ecology to support high priority research on Douglas-fir old growth wildlife habitats and threatened and endangered species, such as the red-cockaded woodpecker, Kirtland's warbler, and Puerto Rican parrot.
- Forest inventory and analysis. By phasing out unnecessary programs and increasing efficiency of data collection and processing methods, redirected $900 thousand to conduct interim State forest inventories and to help intensify forest surveys.

The reductions of these funds have also led to elimination of many programs of research such as production of alcohol fuels from woody biomass, Hawaiian endangered species, aspen and shrub ecology in the Intermountain West, and the genetics of fine hardwoods in the Midwest, as well as over 75 percent reduction in areas such as dutch elm disease and western pine beetle.

372. Question: Your FY 1987 budget again proposes cuts in research of 11.2 percent below the FY 1987 base. How long can you continue to cut the research budget and sustain a viable research program? I am thinking particularly about maintaining and continuing to attract quality personnel.

Answer: A viable research program will continue to be sustained at whatever level is appropriated. What sometimes suffers is the quality and diversity of our program. As we become more cost effective, our programs are restructured to eliminate the lowest priority programs.

Budget reductions have made it difficult to recruit new people. Full-time employment ceilings have been somewhat limiting and we have experienced an inability to hire new scientific talent. The number of scientist years of effort has declined by nearly 22 percent. Because younger scientists are not being hired, the average age of the scientific staff has been increasing. While the scientific maturity this represents is highly valuable, the long-term vitality for the research organization may be reduced because younger scientists and their skills are not being brought into the organization.

I notice your budget (p. 22) says that recent Forest Service research findings on acid rain have concluded that a variety of natural and human-caused disturbances affect the acidity of some New England ponds. Beavers are mentioned as one cause.

373. Question: Could you elaborate on these findings.

Answer: Disturbances capable of changing pond chemistry are a common occurrence in New England, even in relatively remote watersheds. These disturbances can affect the present day response of ponds to acid deposition. Forest fires and beaver activity within pond watersheds were important in a study of six ponds in the White Mountains. The role of forest fires, particularly those occurring before 1900, was to shorten water pathways by reducing soil depth and exposing bedrock, thus reducing the long-term acid buffering capacity of burned watersheds. Ponds with active beaver colonies are more likely to have aluminum complexed organically, and may have increased buffering capacity because of enhanced productivity. Small, man-made impoundments would similarly affect buffering capacity, as would any activity that promotes biological productivity.

The Forest Service is carrying out research on water quality and related watershed properties at several locations to better understand the consequences of atmospheric deposition. We are concerned about the spacial variability that exists nationwide, and our limited ability to predict effects of atmospheric deposition across this varied spectrum. Disturbance is just one aspect.

374. Question: You plan to decrease acid rain research on high elevation ecosystems in the West. Given the increased evidence that acid deposition is a growing problem in the West, why these cuts?

Answer: The Forest Service still maintains major atmospheric deposition research in the Rocky Mountains, California, and the Pacific Northwest. Additional research in the West has begun in 1986 as part of the Western Conifers Research Cooperative of the NAPAP Forest Response Research Program. This is a joint FS/EPA effort, and the proposed FS budget would allow continuation of this research if the EPA budget in 1987 remains about the same as the 1986 level.

375. Question: According to your budget (p. 39) you propose to postpone start-up of new long-term and high risk research. If the Forest Service does not perform this type of research, who will? The industry is not likely to take on long-term, high-risk research, are they?

Answer: The Forest Service is already engaged in considerable long-term research and selected high-risk, but high potential return, research. We agree that the nature of Federal research organizations such as Forest Service Research, and forestry research in general, makes it logical for us to conduct long-term and high-risk studies. In the short-run and under current funding constraints we think it is prudent to concentrate on the highest priority research itemized on page 39 of the FY 1987 Budget Explanatory Notes and to finish nearly completed research before starting any new long-term commitments. We would also point out that several of the highest priority problems now being emphasized are either long-term in nature (such as development of forest stand growth and yield prediction systems) or high risk (such as pioneering forest biotechnology research).

376. Question: I notice that according to your budget the Forest Service develops and tests new cost effective technology and methods for rehabilitating land disturbed by surface mining. I understand that B.F. Goodrich has developed a product, ProMac, which has shown in some tests to be effective in controlling bacteria that generates high levels of acid in surface mined lands. Is this the type of process the Forest Service would be interested in testing?

Answer: Acid drainage from surface-mined lands is a localized problem on several National Forests. A product that controls acid producing bacteria would be useful in some, not all, situations. Forest Service research could cooperate in testing products like ProMac, however, their resources are currently fully committed to higher priority mineland rehabilitation issues.

377. Question: According to your budget (p. 43) reductions are proposed on the effects of atmospheric deposition on surface and ground water in southern California and on forests in California; on effects of timber harvesting and road construction on water quality in the central Appalachians; and on Appalachian forest watersheds in Pennsylvania. Are these reductions proposed because enough is known about these effects or are they purely budget driven?

Answer: There are numerous questions regarding the above mentioned research topics that remain to be answered. The atmospheric deposition research in California is new and important work, but we have had to reduce this effort to ensure minimum funding at other locations (in the eastern U.S.) where related research is further along, and hence, the potential loss of previously invested funds is greatest.

Concerning forest watershed research in the Appalachian forest watersheds of West Virginia and Pennsylvania, many important questions have been answered, but some remain. We have focused our work on the highest priority activities, and that includes carrying to maturity long-term studies that represent considerable investment.

378. Question: What have you concluded from your research on the effects of grazing on wildlife and fish? Are we overgrazing on the federal lands?

Answer: We have situations or sites on National Forest System lands where livestock use is considered excessive, resulting in unsatisfactory range conditions. These situations are not wide spread, but more of an isolated or localized situation. They are being addressed on a priority basis as funding and manpower levels permit.

Currently, about 75 percent of our allotments are under a plan of improved management. These plans provide for the correction of excessive use where it is occurring. We are now attempting to expand the number of allotments under improved management, plus maintain those with improved management underway. Depending on conditions and circumstances, any one or a combination of strategies are programmed in plans to correct excessive use. In some instances the selected course of action may be reduction of livestock numbers. Other alternatives include: implementation of grazing systems which provide for periodic deferment or rest from grazing, change in season of use or kind of livestock, and on-the-ground range improvement practices, either structural or nonstructural.

Research by the Forest Service has shown that livestock grazing can be successfully integrated with other forest resources including wildlife and fish. Management guidelines have been developed and published that help forest and range managers provide a forage resource while preventing overgrazing and other detrimental effects to alternate resources.

379. Question: According to your budget (p. 48) you have developed a new management system to determine the carrying capacity of wilderness. One of the problems facing our National Parks concerns this issue of over crowding. Could your new management system be useful for the Park Service?

Answer: The new management system was developed specifically for wilderness conditions; however, the research findings could have partial application to situations such as those found in National Parks.

Most wilderness managers consider their major challenge to be determining wilderness carrying capacity for recreational use and managing for it. Despite increased knowledge of factors influencing severity of recreation's impacts and visitor preferences for solitude, the two primary components of carrying capacity, determining the maximum allowable number of recreational visitors has proved to be an unusually intractable problem. Integrating past research and managerial experience and reanalyzing the carrying capacity issue has resulted in the approach called Limits of Acceptable Change, or LAC. LAC involved systematically determining desired wilderness conditions (rather than number of visitors), selecting indicators of important wilderness social and resource conditions, setting standards for each of these indicators, developing management actions focused on insuring that these conditions do not deteriorate beyond standards (which often will not require limiting use), and monitoring to identify needs for altered management.

The system is practical as well as effective in protecting wilderness, and is being applied in a large-scale pilot test in the Bob Marshall Wilderness complex in Montana. Numerous training sessions have been held with National Forests and Regions. The BLM plans to adopt the system. Our wilderness research scientists work closely with a number of agencies and organizations, including the National Park Service.

380. Question: Do you require any match for your competitive grants program?

Answer: No matching funds are required, but the basic facilities and expertise necessary to complete the proposed research must be available before a grant can be made.

381. Question: Has this program been evaluated by the Forest Service? If so what is your assessment of the effectiveness of the program?

Answer: With only one year's experience we are not fully able to determine the effectiveness of the program. Nevertheless, we believe that all the proposals funded were of high quality, worthwhile, and that the researchers are capable of producing valuable results.

382. Question: What does the Forest Service plan to spend on research on control methods for the southern pine beetle in FY 1987?

Answer: The FY 1987 President's budget for southern pine beetle research is $815,000. None of this amount is programmed for research on direct chemical control measures but a portion (approximately 15 percent) will be expended for research on biological control methods. The remainder will be used for research to (1) improve information on effectiveness of current control recommendations; (2) improve the performance and reliability of population dynamics models that predict the onset, duration, and collapse of infestations; and (3) improve performance of preventive techniques such as silvicultural practices to reduce hazard of the southern pine beetle. Information obtained from these studies will be useful in improving both direct and indirect control measures.

383. Question: How much does the Forest Service spend on cutting in wilderness areas to control the southern pine beetle?

Answer: The only wilderness areas to date in which pest outbreaks have met the criteria for treatment have been those in the South involving the southern pine beetle. In FY 1985, an estimated $682,900 was spent on cutting trees for southern pine beetle control in wilderness areas. This amount includes the cost of contracts and their administration.

384. Question: Would it make sense to make a greater investment in research in an effort to reduce spending on cutting?

Answer: A greater research effort could provide new information useful in improving current control measures or in formulating new ones. However, use of chemical controls could probably prove more effective if the court order is lifted.

385. Question: What level of southern pine beetle research would you consider appropriate?

Answer: The President's Budget already includes $815,000 for southern pine beetle research which is adequate to address high priority research projects related to the southern pine beetle.

STATE AND PRIVATE FORESTRY

The Northeast and Midwest region has over a third of the nation's commercial timberland and nearly half of its hardwood supply. The two programs of most value to this region are the Research program and the State and Private Forestry program. Together these two programs represent less than 8 percent of your proposed budget, while two thirds of your budget would go toward road construction, spent almost entirely in the West.

386. Question: Could you comment on this seeming regional inequity?

Answer: The geographic distribution of the Forest Service budget reflects the geographic distribution of Forest Service programs, including programs in research, State and private forestry, and management of the National Forest System.

The funding for Forest Service programs in research and in State and private forestry comprises only a small part of the agency's budget, but is broadly distributed, geographically, on the basis of program needs on all forest lands in the United States. These needs are determined in consultation with State and local agencies and with private organizations.

The road construction program, however, which comprises about 10 percent of the appropriated Forest Service budget, pays for road design and construction on National Forest System lands. The size and geographic distribution of the funding for this construction is linked to recreation, timber, and other resource management needs on these National Forest System lands, of which 87 percent are located in the Western United States.

Therefore, the seeming regional inequity of Forest Service budgets is due to National Forests and Grasslands being located predominantly in the Western United States.

Your budget (p. 72) proposes to eliminate the Forest Service's Cooperative Forest Pest Action Program for a savings of $1,189,000.

387. Question: For a relatively modest amount of money isn't this a good way to leverage State money?

Answer: The Forest Service can leverage State money and influence the size and quality of State pest management programs aimed at the Nation's private forest lands through the Cooperative Forest Pest Action Program. However, it is anticipated that States who have significant private forest resources will maintain some pest management program without Federal financial assistance.

Although the Forest Service and the National Association of State Foresters have recommended establishment of a forest products marketing program, the budget includes no money for this activity.

388. Question: Do you favor such a program and if so what level of funding would you consider appropriate?

Answer: In FY 1986 the Forest Service began to provide limited technical assistance towards developing a forest products marketing program. The program is directed toward expanding the range of markets for forest products to improve economic conditions, with specific activities including:

- Assisting clients pursuing international trade.
- Focusing on projects to illustrate new products or manufacturing processes.
- Coordinating regional marketing conferences and international trade missions.
- Conducting feasibility studies to evaluate forest products potential in varying markets.

The President's Budget for FY 1987 is based on the premise of a reduced Federal role and greater reliance on State, local governments, and the private sector to improve management and utilization of private forest land, including the continuation of support for forest products marketing. NFPA is meeting that challenge by increasing its marketing program.

According to your budget (p. 76), the annual acres destroyed by fire have declined considerably during the first decade of federal participation in State fire protection programs. Yet your budget proposes to eliminate financial assistance to the States, a reduction of $10 million.

389. Question: Given the economic loss due to forest fires, is this a short sighted cost saving measure which will ultimately cost more in the long run in terms of lost resources due to fire?

Answer: If reductions in Federal assistance are not replaced by additional State funds, some additional resource losses can be anticipated particularly if cooperative efforts are permitted to deteriorate.

In the States such as California which have chronic wildfire problems and large State firefighting organizations, this program contributes a very small percentage of their total resources.

According to your budget (p. 77) and I quote: "Private nonindustrial forest lands are a major source of U.S. wood supplies, providing 47 percent of roundwood supplies to the forest products industry. Timber output from nonindustrial private forest lands is projected to be the largest source of future U.S. wood supply. Cooperative Federal-State programs improve their productivity."

390. Question: Your budget, however, eliminates these cooperative programs. Why is that?

Answer: The necessity to reduce the Federal deficit makes it necessary to eliminate programs which could be accomplished by other means. It is anticipated that most States will maintain programs aimed at improving the productive capabilities of their State's nonindustrial forest lands on their own, with or without Federal assistance.

391. Question: Given these lands potential to supply the forest products industry, wouldn't a modest program in this area take the pressure off the federal lands and potentially reduce the larger expenditures on timber sales on federal lands?

Answer: It is true that in the national picture an increased timber supply from private nonindustrial lands will help ease overall pressures on Federal lands, but in most cases pressures for Federal timber are a function of geographical location and area demand.

392. Question: Could you elaborate on the wood utilization program which is designed to improve the competitiveness of the forest products industry in the U.S. and to expand opportunities to increase exports and reduce imports?

Answer: Traditionally, the primary objective of the wood utilization program has been to improve the efficiency of timber harvesters, wood processors, and users so that fewer trees would need to be harvested to provide the same amount of finished wood product. This activity has the side effect of improving the competitiveness of our forest products industry in foreign and domestic markets.

Another objective has been to transfer new technology coming out of our Research programs which makes it possible to utilize low-grade trees of high-valued species, wood residues, and under-utilized species, thereby improving our residual forest lands and making future harvests more valuable. This objective applies to the forest land owned by nonindustrial private landowners as well as the National Forests and industry lands.

Within the past few years we have added limited dimension to our program to help States attract new industries into their areas to better utilize this raw material as well as help them promote the expansion of exports from existing forest products companies in their States.

393. Question: According to your budget (p. 81) this program assists clients pursuing international trade. How?

Answer: Our utilization staff co-sponsors workshops with Foreign Agricultural Service's Forest Products Division, State agencies, and industry associations. These workshops help small and medium-size forest products companies on overseas marketing techniques. We provide limited technical assistance to encourage manufacturers participating in trade shows and trade missions where potential overseas sales exist for their products. We also provide limited technical assistance for better cooperation between State forestry agencies and State economic development programs to stimulate expanded exports of forest products.

394. Question: Given the trade deficit and the impact of a continued trade deficit on the economy, why are you proposing to eliminate this wood utilization program?

Answer: We anticipate that those States who have the potential to expand their forest products exports will continue their efforts to promote forest products trade without Federal assistance.

NATIONAL FOREST SYSTEM

395. Question: Given all your proposed budget cuts, how can you justify continuing what basically amounts to a subsidy for grazing on forest lands?

Answer: The President on February 14, 1986, directed the extension of the grazing fee formula established by the Public Rangelands Improvement Act. The direction also established "that the grazing fee level shall not be less than $1.35 per animal month in any grazing year." Without this floor the grazing fee for 1986 could have been $1.01 per animal month. Maintaining the fee at its current level in the face of declining profits in the beef industry is an effort to maintain revenues at as high a level as possible without forcing producers out of business.

396. Question: While I support your proposals to increase recreation fees, wouldn't it also be consistent to increase grazing fees?

Answer: The proposed increase in recreation fees is for authority to charge fees where authority does not now exist. We do not have such a situation with livestock grazing. We charge a fee for all of the permitted livestock on the National Forest System.

397. Question: I was noticing in your budget a discussion of land exchanges. In the past two years, we have provided money for land acquisition in Wayne National Forest which has a serious problem of fragmented ownership. Have any land exchanges been tried in Wayne? Would this be a viable option in that area as opposed to further land acquisition?

Answer: In the last 5 years, the Forest Service has acquired 2,950 acres of non-Federal land on the Wayne National Forest, through four land exchange cases.

Congressional direction in the Supplemental FY 1984 Appropriations Act required the Forest Service to offer exchange to landowners before L&WCF dollars are obligated to purchase certain types of non-Federal lands. In FY 1985, landowners in four L&WCF purchase cases involving 4,300 non-Federal acres on the Wayne National Forest were offered the alternative of exchange and all rejected the offer.

Land exchange continues to be an effective alternative to direct purchase of desirable non-Federal land. About 30 percent of the non-Federal land acquired nationwide by exchange in FY 1985 also qualified for L&WCF purchase.

398. Question: According to your budget you are maintaining the maintenance program at FY 1986 levels with continued priority for unsafe and hazardous conditions. You note, however, that the maintenance backlog will continue to increase, Last year you indicated this backlog to be about $300 million. With your proposed budget of about $14.7 million what is the new backlog?

Answer: The total maintenance need is estimated to be $30 million annually. At current funding rates ($14.7 million), the backlog will increase from $300 million to approximately $315 million (not including inflation).

399. Question: Does that backlog include any threats to health and safety?

Answer: No. Our maintenance program is keyed to a positive and consistent health and safety hazard identification program. When an immediate or potential health and safety hazard is identified, correction of that condition moves to the top of the priority list.

What occurs is the deferral of "normal" maintenance items, such as painting or reroofing, which protect and sustain capital investment. Since 50 percent of our owned facilities are over 35 years of age, outyear maintenance and reconstruction or replacement backlogs will continue to grow.

400. Question: What is your estimate of health and safety problems in the National Forests? How much longer can we continue to defer this maintenance?

Answer: As pointed out in our response to question 399, identified health and safety items are given immediate priority for correction. Therefore, the loss is in capital investment or usable life of the facility.

This situation is likely to continue until the increasing cost of maintenance plus the loss of capital investment, resulting in facility closure, interferes with our ability to provide goods and services at levels demanded by the public.

401. Question: What is the Forest Service's accident record?

Answer: Based on an average of the past three years, total accidents in the Forest Service averaged 4.1 employees per 100, or an estimated 1600 employees. Of this number, about 48 to 80 injuries are attributable to facility deficiency. Requirements for reporting statistics on accidents now require all first aid treatment, however minor, be included in the report system.

402. Question: Have there been any incidents of serious accidents as a result of deferred maintenance?

Answer: No. Most on-the-job injuries are the result of incorrect actions on the part of the employee.

403. Question: Your budget proposes an increase of $425,000 in silvicultural examination which you say is necessary to support the proposed timber sales level of 10 billion board feet. Why an increase in this program when the 10 billion board foot sales level is below the 1986 level?

Answer: Silvicultural examination acreage has been increased from 4,345,000 acres to 4,722,000 acres due to the amount of reexamination needed for the buy back sales in outyears as compared to the FY 1986 program. The increased funding ($425,000) is necessary because of increased cost of contracting, and a greater amount of inaccessible areas to be sampled for future new sales program. Examination of the reoffer sales will be easier because of available access.

404. Question: Your budget proposes an increase of about $6 million for General Administration. Given the lower program level why is an increase in administration needed?

Answer: The increase in FY 1987 funding is due to higher pay and benefit costs, filling positions that were held vacant in FY 1986, restoring travel to roughly the level anticipated in the original 1986 appropriation, and restoring training that was cut in 1986.

LAND ACQUISITION

405. Question: What is the status of land acquisition in Wayne? Have the FY 1986 monies been spent and if so what tracts were acquired?

Answer: The FY 1986 monies for Wayne National Forest acquisitions have not yet been obligated. The following is a status report of the total appropriated funds for acquisition on the Wayne National Forest:

Tract	Acres	Estimated Value	Status
Mingus	160	$ 50,400	Acquisition complete
Peabody Coal Company	2,525	410,000	Optioned
Whittaker	350	110,500	Optioned
Palomino Ranch	480	100,000	Offer made
14 tracts*	5,050	1,595,000	Being appraised
P.J. Meyers Estate	1,355	440,000	Getting ready for appraisal
10 tracts	1,000	300,000	Preliminary contact made
	10,920	$3,005,900	

* The Blaney tract is included in this category.

406. Question: If money were included for additional land acquisition in Wayne in FY 1987, what level would be appropriate?

Answer: If money were included for additional land acquisition in Wayne in FY 1987, a level of about $1,500,000 would be consistent with the amount added by the Congress in recent appropriations acts. However, land acquisition is a postponable function and should be subject to the same scrutiny as other activities. It also reduces the amount of State taxable land which would reduce State revenue. A higher priority must be given to managing existing public lands more efficiently and effectively than by adding to the Federal estate.

PERMANENT APPROPRIATIONS

A recent Forest Service draft report on the status of management of the Tongass National Forest stated that the Forest Service, since 1980, has lost an average of $8 million per year preparing timber sales that were not bid upon.

407. Question: How can you justify this in light of current budget constraints?

Answer: The funding referred to in the report was the amount spent on timber sales offered, but not sold. Even in the best market conditions there will be individual sales that do not sell as a result of prospective bidder preference, the mix of species involved in the sale, the prospective bidder's view of future markets, or the prospective bidder's financial situation. The investment in these sales is not lost. Most of the investment in the sale area is retained until the sale is reoffered. Only those costs related to on-the-ground layout would not be recovered, if the sale needs to be redesigned.

The Alaska Regional Office of the Forest Service estimated that the Fiscal Year 1985 Tongass National Forest timber budget comprised 85 percent of that year's total Region 10 (Alaska) budget and that in 1985 the Tongass National Forest lost some $60 million.

408. Question: Why are the Tongass National Forest and Alaska regional budgets so dominated by expenditures on the Tongass timber program?

Answer: The total expenditure for the Alaska Region in FY 1985 was $74.2 million, excluding Purchaser Road Construction, of which the Tongass Timber Supply Fund was $43.1 million or 58 percent. Although the Region had requested additional funding for programs other than timber management, the overall appropriations to the Forest Service did not allow additional allocations. The proportion of timber management expenditures to expenditures for other programs has not changed to a great degree, except for the added investments to offset costs identified in the forest plan.

The funding for the Tongass Timber Supply Fund was based on the wording of Section 705(a) of the Alaska National Interest Lands Conservation Act which was the result of a compromise involving the timber management program on the Tongass National Forest outlined in the Tongass Land Management Plan. The compromise involved additional funding for investments in the timber program in order to provide a relatively constant flow of timber from the forest. The timber to be supplied included those economically and technologically marginal lands added to the timber base in order to provide over 5.4 million acres of wilderness, almost 2.7 million acres of unroaded areas, and almost 2.8 million acres that are managed to obtain the objectives of other resources as well as the timber resource.

The Executive Summary of the Forest Service report on the status of management of the Tongass National Forest contains graphs of anticipated expenditures and receipts for the Tongass timber program over the next five decades. Those graphs show that over this period of time the agency's expenditures could exceed receipts by as much as $6 billion.

409. Question: Why is the long term cost of the Tongass timber program so high?

Answer: There are several reasons for the high costs of the Alaska timber program compared to the program in other areas of the country. In addition to the costs of the compromise mentioned in the previous question, the primary reason for the long-term costs is the need to establish a basic infrastructure in Alaska, similar to what exists in other areas. A conservative estimate shows that about two-thirds of the Tongass National Forest is currently unroaded. The costs of putting in place a basic transportation system to access the forest is high.

Another reason for the high costs are the costs of wages, goods, and services in Alaska compared to other areas. The remoteness of Alaska to major market and trading centers, the lack of population to provide a large purchasing base, and the lack of competition among suppliers all contribute to higher costs.

410. Question: How can the government reasonably expect to maintain such a high level of subsidy?

Answer: The costs of the program are a result of a congressional compromise between the conservationist seeking wilderness and the timber industry and local communities seeking development incentives. The timber industry agreed to harvest timber in areas of the forest that previously have not been harvested because of the poor quality of timber or the difficulty and cost of access. In return for the industry accepting these poorer areas, the Government was to provide added investments in preroading areas, in advanced logging technology, and in intensive silvicultural techniques such as timber stand improvement
to enhance future supplies. These investments provided a stabilizing force to maintain timber industry employment as well as providing over 5.4 million acres of wilderness, almost 2.7 million acres of additional unroaded areas, and almost 2.8 million acres of land that is to be managed jointly for the objectives of other resources as well as timber.

Since the compromise was agreed to by participants who were involved in the development of the Tongass Land Management Plan, and was incorporated in Section 705(a) of the Alaska National Interest Lands Conservation Act, the Forest Service believes the funding should be maintained until all parties agree to an alternative means of addressing all issues, i.e. wilderness (single use) vs timber/recreation (multi-use) areas.

411. Question: Are we locked into this extremely expensive timber program?

Answer: The Forest Service has instituted a number of cost saving procedures over the last 5 years. These include reducing road standards to reduce the costs of road construction by over 35 percent; not constructing roads until the timber sale has been sold; and not doing extensive field layout of timber sales until there is a desire for the particular sale expressed by the timber industry. As pointed out in the previous answer, the Forest Service believes a commitment to the timber program exists until all parties who participated in the development of the compromise that created the program agree to some alternative means of addressing the issue.

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